

ANNUAL REPORT
2012/13

The perseverance to
**Move
Forward**



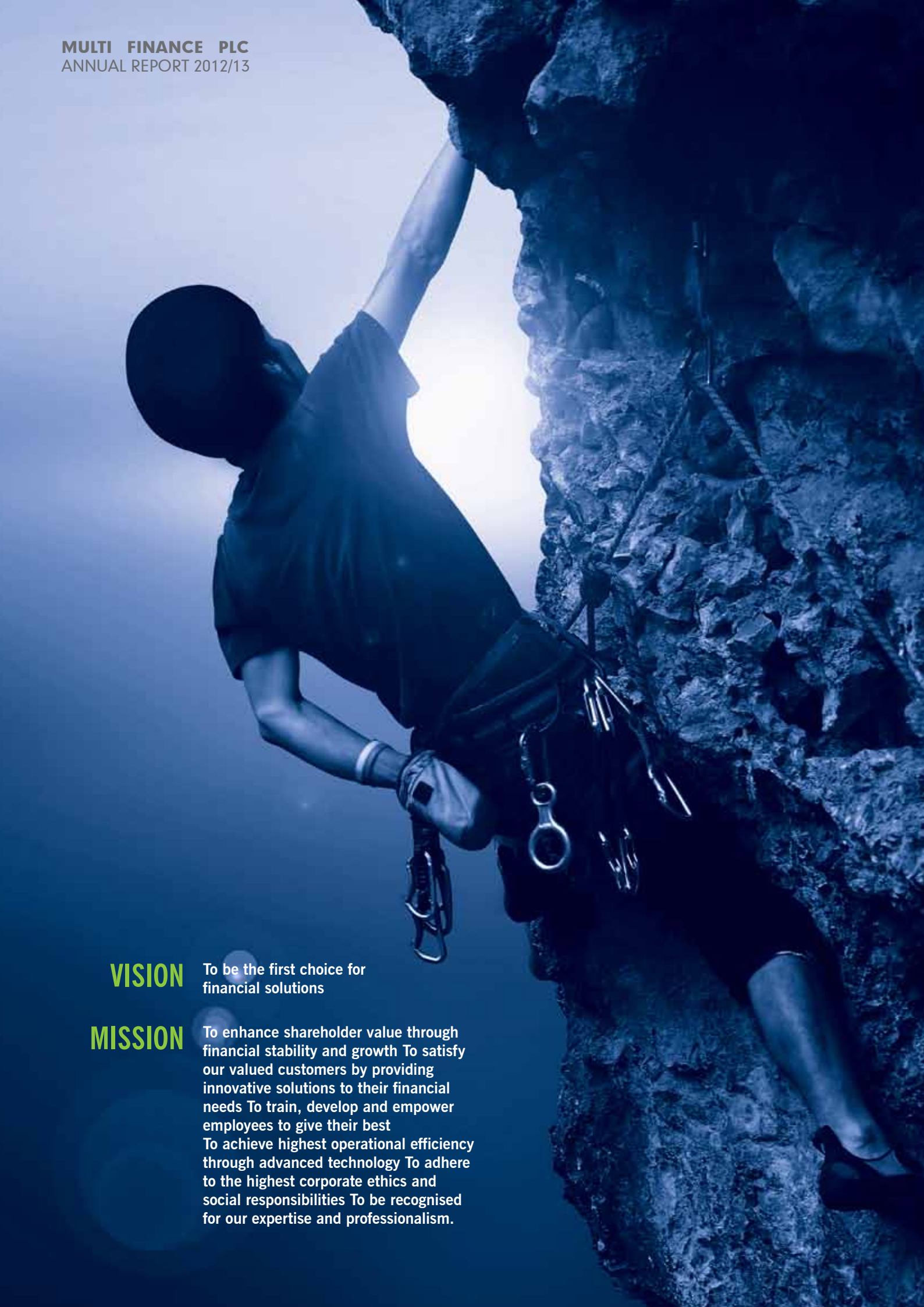
MULTI
FINANCE

VISION

To be the first choice for financial solutions

MISSION

To enhance shareholder value through financial stability and growth To satisfy our valued customers by providing innovative solutions to their financial needs To train, develop and empower employees to give their best To achieve highest operational efficiency through advanced technology To adhere to the highest corporate ethics and social responsibilities To be recognised for our expertise and professionalism.



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FINANCIAL HIGHLIGHTS

Asset Growth **50%**

Interest Earning Assets Growth **46%**

Results	2012 / 2013 Rs.	2011 / 2012 Rs.	Change %
Operating Results - Income Statements			
Income	281,175,416	174,901,307	60.76
Net Interest Income	112,008,134	96,613,238	15.93
Net Income from Operations	116,425,644	116,699,641	(0.23)
Loss for the year	(57,607,525)	(2,015,063)	(2,758.85)
Accumulated Profit / (Loss)	(3,073,442)	55,673,891	(105.52)
Financial Position			
Total Assets	1,601,564,312	1,070,959,184	49.54
Interest Earning Assets	1,418,994,517	969,498,977	46.36
Lending Portfolio	1,193,431,520	943,211,177	26.53
Share Holders' Funds	365,232,273	423,153,423	(13.69)
Public Deposits	505,147,390	365,774,496	38.10
Borrowings	659,958,060	203,207,664	224.77
Ratios			
Earnings/(Loss) per Share	(2.56)	(0.09)	(8,500)
Dividend per Share	-	0.11	-
Net Assets Value per Share	16.26	18.84	(13.69)
Return on Average Shareholders' Funds	(14.61)	(0.17)	(9,788.24)
Current Ratio	0.70	0.62	12.99
Debt Equity Ratio	1.81	0.48	277.08
Statutory Ratios (%) / Requirements			
	Minimum Requirement		
Core Capital Ratio 5%	05%	30.52	41.61 (26.65)
Total Risk Weighted Capital Ratio	10%	30.52	41.61 (26.65)
Liquid Assets			
Market Value per Share			
	Rs.	Rs.	Rs.
Highest Value recorded during the Financial Year	40.40	77.50	(37.1)
Lowest Value recorded during the Financial Year	13.00	21.10	(8.10)
Closing Value at the end of Financial Year	22.00	25.90	(3.9)

Company Performance

Income statement

Interest income / expense

The income of the company was increased to Rs.281 Mn. in the year 2012/13 from Rs.175. Mn. which is a 61% growth year on year. Further, the net interest income of the company showed a marginal increase of 16% during the year under review due to the fact that the interest expense has increased by 201% against the interest income which has increased marginally by 81%. This is mainly due to the fact that fixed lending rates of contracts which prevented adjusting for rising borrowing costs.

Profits and Expenses

Although the interest income of the financial activities was increased by 81% the provision for loan losses depicted a significant increase of 69% and recorded Rs.15 Mn. for the year ended 31st March 2013.

The operating expenditure amounted to Rs.163 Mn. depicting 49% increase compared to the previous year mainly due to the cost incurred in the branch expansion and relocation, recruitment of new staff members and increase in loan loss provision and adjustment made to diminution of market value of the investment in shares.

Due to the above factors the company recorded a net loss of Rs.57.6 Mn. during the year under review.

Assets and Liabilities

The total assets of the company increased to Rs.1.6 Bn. from Rs.1.1 Bn. showing a growth of 50%, whilst the liabilities which amounted to Rs.1.2 Bn. showed an 90% increase compared to previous year mainly due to increase in borrowings from the parent company and securitized loan facility amounted to Rs.350 Mn.

Lending

The total lending portfolio showed a growth of 27% as against the previous year since the company adopted a conservative approach on granting loan facilities during the period under review.

Deposits

The deposit portfolio at the balance sheet as 31st March 2013 was Rs.505 Mn which showed an increase of 38% from Rs.366 Mn in the previous year ended 2012.

Non-performing loans

During the year under review the company's non-performing loan ratio was increased to 4.6% as against the previous year which was recorded at 1%. Majority of these contacts are related to the construction and agricultural industry which encountered a significant drawback in the year concerned.





CHAIRMAN'S REVIEW

“

We have exceeded the requirements in areas such as the core capital ratio, total risk weighted capital ratio and minimum liquid assets. Hence, we have ensured stability and are on a firm financial footing.

”

CHAIRMAN'S REVIEW

It is my privilege to present you the Annual Report of Multi Finance PLC and highlight its performance during the financial year 2012/13.

During the period under review, the company took many initiatives to consolidate its business and lay the foundation for future success. The main focus was on expanding our operations. We established two new branches – namely the Colombo City Office and the Ratnapura branch – increasing our network from five to seven branches. We also set up a pawning centre in Maradana.

The company relocated its branches in Gampaha and Kurunegala. The new locations provide our customers easier access, greater comfort and convenience with larger waiting areas and more parking space, as well as superior facilities. These branches offer a more personalized service in keeping with our philosophy of doing business with a truly human touch.

Other initiatives during the year included enhancing our services and expanding our product portfolio. Micro-financing, which we launched as a pilot project, is an area with much potential. This high-yield short-term product is in much demand among small-scale entrepreneurs, particularly those from rural areas. We plan to market it aggressively in the financial year 2013/14.

We also introduced a deposit scheme called Multi Rewards to attract new customers by offering them special benefits. This scheme also targeted small time investors and will be promoted aggressively in the financial year 2013/14. More recently, we ventured into a promising new area – the import of motor vehicles. For this, we have set up a separate division headed by an experienced person in the industry.

The results of all these initiatives will be evident in the near future. Meanwhile, we will continue to take advantage of new opportunities that open up in the financial sector.

It gives me pleasure to note that deposit base was increased significantly during the year. The total deposit grew by Rs.139 million (38%) to stand at Rs.505 million as at end March 2013. This reflects growing customer confidence in our company.

Our interest earning portfolio also saw notable gains, rising by 46% from Rs.969 million to Rs.1.4 billion. The total assets of the company grew by an impressive 49% – from Rs.1.1 billion to Rs.1.6 billion.

I am proud to state that we have complied with all rules and regulations, including the statutory requirements imposed by the Central Bank of Sri Lanka. In fact, we have exceeded the requirements in areas such as the core capital ratio, total risk weighted capital ratio and minimum liquid assets. Hence, we have ensured stability and are on a firm financial footing.

The company continues to stringently follow all corporate governance rules and practices. When it comes to risk and controls, we do not believe in compromise. Prudent lending policies are in place, and we expect an improvement in recoveries.

We have also installed a state-of-the-art IT system called e-Financial Solutions. This system developed by Scinter Technologies facilitates all the operational functions of the company, covering areas such as lending, fixed deposits, savings and pawning. It links our entire network, offering customers a speedier, more efficient service in line with our corporate culture.

During the year, we laid much emphasis on promoting our brand image. Our promotional activities included advertising in the press/electronic media, sponsoring of special events and other brand development activities. All these have contributed to a notable growth in our customer base.

CHAIRMAN'S REVIEW CONTD...

We also increased our staff strength, mainly in the areas of customer relationship and recoveries. Training programmes led by prominent trainers were conducted for the entire workforce to enhance their financial expertise and customer-focused approach.

In conclusion, I wish to thank our shareholders for their support and confidence in us. I'm also grateful to the Board of Directors for guiding the company in the right direction. I also express my gratitude to our valued customers who have always stood by us. After all, our success is built on their loyalty and trust. Finally, I must thank the team for their dedication and hard work that have surmounted all challenges to place the company on solid ground. As we approach 40 years of business success, I can say with confidence that the future looks truly bright.



Mr. Kuvera De Zoysa
Chairman

PROFILES OF BOARD OF DIRECTORS

Mr. Kuvera De Zoysa

Chairman – Independent / Non-Executive Director

Mr. Zoysa is a President's Counsel of the Supreme Court of Sri Lanka and has been in active practice since 1993 in the fields of Commercial and Civil Law. He holds a Master's Degree (LL.M) in International Trade Law from the University of Wales. He was also awarded the "The Young Outstanding Persons" Award, the HSBC – JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the Law field. He has served as Chairman / Director of People's Merchant Bank PLC and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of People's Bank and as Chairman of the Audit, Legal and Risk Management Committees of People's Bank. He currently serves on the Boards of many listed companies and non listed companies in IT, Power, Healthcare and leisure sector as a Non-Executive Independent director. Mr. de Zoysa is an Independent, Non-Executive Director of the Company.

Mr. R. M. M. J. Ratnayake

Deputy Chairman – Independent / Non- Executive Director

Mr. Ratnayake holds an MBA in Finance and is a Fellow Member of the Institute of Chartered Management Accountants U.K. He is also a Fellow Member of the Society of Certified Management Accountants. He has expertise in the fields of Tea Exports, Tea Plantations, Telecommunications and Motor Industry. Mr. Ratnayake joined Colonial Motors PLC as Chief Executive Officer on 1st July 2008 and was appointed to the Board as Director / Chief Executive Officer on 1st April 2010 and as Managing Director on 1st May 2010. Mr. Ratnayake is an Independent, Non-Executive Director of the Company.

Mrs. C. J. Atapattu

Director - Legal and Recoveries

Mrs. Atapattu is an Attorney-at-Law & Notary Public, and graduated from Sri Lanka Law College in 1991. She has over 19 years experience as a practicing lawyer and legal officer covering most aspects in the field of law, including litigation, court work, drafting contracts, agreements and advisory services. She also has exposure in secretarial work and in the conveyance field. Presently she is working as Director-Legal and Recoveries of the company and has been with the company for nine years. During her tenure, she had worked as Director / Legal Officer of the company and thereafter as Director / General Manager. She is presently overlooking the legal work and recoveries of the company, including the head office and the branch network of the Company. She has followed several training programs and seminars conducted by the Central Bank of Sri Lanka and other institutions.

Mr. K. P. N. S. Dayaratne

Non-Executive Director

Mr. Dayaratne graduated from the University of Colombo receiving a 2nd upper Honours Degree in Statistics (special) in 2001, and obtained an MBA (Finance) from the University of Colombo in 2008. He worked at People's Bank after graduation in 2001 and joined Entrust Securities PLC in 2002 as a Dealer and presently he is the General Manager of the Company. He counts over 9 years of experience in the financial industry. He has also followed several training programmes conducted by the Central Bank of Sri Lanka, Euromoney and Bloomberg. Mr. Dayaratne is a Non-Executive Director of the Company. Mr. Dayaratne is also a Director of Entrust Limited and Entrust Healthcare Limited.

PROFILES OF BOARD OF DIRECTORS (CONTD...)

Mr. B. N. R. Mendis *Non-Executive Director*

Mr. Mendis received his initial training from Waldock Mackenzie Ltd, a Merchant Bank of the JKH Group. He counts nearly twelve years' experience in the field of Primary Dealer Operations & Payment and Settlement operations in Sri Lanka. He has also gained immense training exposure attending overseas programs conducted by the Euromoney Training Institute in Singapore. Currently he handles the Treasury Operations of Entrust Securities PLC. He has also followed several training programs conducted by the World Bank & the Central Bank of Sri Lanka. He is a Non-Executive Director of Multi Finance PLC and a Director of Entrust Limited and Entrust Healthcare Limited.

Mr. Manohara S. Tillakawardana *Independent, Non-Executive Director*

He is presently a Director and Lead Consultant in TOGS Associates (Pvt) Ltd., a company which is engaged in providing consultancy and advisory services in various professional spheres. An accomplished professional with over twenty one years of mercantile sector exposure, his key areas of expertise are known to be financial management, corporate and strategic planning, diagnostic studies, project feasibility studies and appraisals, auditing, research and market surveys which would immensely help Multi Finance to ensure profitable solutions for customers and growth for the company. He holds an MBA and an MA in Financial Economics from the University of Colombo as well. He is a Fellow Member of the Chartered Institute of Management Accounts - UK, Associate Member of the Chartered Institute of Marketing – UK, Member of the Sri Lanka Institute of Marketing, Founder member of the Institute of Certified Professional Managers and Member of the Institute of Internal Auditors (IIA) of USA and Vice President of IIA- Sri Lanka. He has previously served as the Group Head of Audit and Compliance of the DCSL Group and prior to that he had been employed at Lanka Bell (Pvt) Ltd., TNS, Dankotuwa Porcelain Ltd. and Ernst & Young as well.

Mr. Chanuka Ratwatte *Executive Director*

Mr. Ratwatte started his career in 1993 as a Trainee Planter in Kahawatte Plantations PLC and later joined Tata Tea, India as a Management Trainee. With his wide exposure and experience in the tea industry, he joined Watawala Plantations Limited in 1997 as Head of Exports and offered his services for four years. He is also a qualified Planter with certification from India, UK and Germany. Having worked in the plantation sector in India & Sri Lanka, Mr. Ratwatte joined Brave Guard Security & Investigation Services as a Director in 2003. It is a Sri Lankan company established in 1999, which offers a wide range of security and manpower related services tailored exclusively to the requirements of its vast clientele. At present he is also a Director of Unique Ilaliers (FM) Limited, a company involved in freight forwarding activities. He obtained his primary and secondary education at Trinity College - Kandy during the period 1978-1992.

Mr. Ratwatte serves on the boards of Entrust Limited, Entrust Investments Limited, Entrust Healthcare Limited, and Entrust Securities PLC in the capacity of an Executive Director/ Group Managing Director.

Mr. Isira Dassanayake *Executive Director*

Mr. Isira D B Dassanayake counts over 15 years of experience in the private & public sectors. He holds a Masters' Degree in Public Administration. Currently he serves the boards of Entrust Limited, Entrust Investments Limited, Entrust Healthcare Limited, Maruthi Estates Limited, Continental Capital (Private) Limited, Nippon Holdings (Private) Limited, Platinum Capital (Private) Limited, Pacific Trust (Private) Limited and Entrust Securities PLC in the capacity of an Executive Director/ Group Chairman.

PROFILES OF BOARD OF DIRECTORS (CONTD...)

Mrs. Romesha Dushyanthi Senerath***Group Executive Director / Group Chief Operating Officer***

Mrs. Senerath has a Master of Business Administration from the University of New Buckinghamshire (UK) and is a Member of the Chartered Institute of Marketing (UK). She has also obtained the International Capital Markets Qualifications (ICMQ) conducted by the Securities Institute London (UK) and is a Diploma holder of Business Skills and Development conducted by the National Institute of Business Management (NIBM) as well. She has over sixteen years of experience in Fund Management activities and overall management of corporate affairs. Prior to being seconded to Entrust Limited she joined Entrust Investments Limited, a licensed Investment Manager & Margin Provider by the Securities & Exchange Commission of Sri Lanka (SEC) and was overlooking the overall operations of the company in the capacity of Assistant General Manager. Prior to joining Entrust Group, she has worked at Nations Lanka PLC as Senior Executive-Investments and at Union Assurance PLC as Acting Head of Investments. She was appointed to the board of Entrust Securities Limited in June 2009 and is a Director of Entrust Limited, the holding company and also Entrust Investments Limited. Recently she was appointed to the board of Entrust Healthcare Limited as well. Apart from attending several local training programmes conducted by institutions such as the Central Bank of Sri Lanka and Colombo Stock Exchange and also a specialised course in Taxation conducted by CIMA - Sri Lanka division, she has attended the SMU - Wharton Executive Programme on Investment Management held in Singapore.

CORPORATE GOVERNANCE

Corporate governance is popularly understood as the system by which companies are directed and controlled. The Board of Directors is responsible for the governance of the company. Your Board has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of the company's dealings and on making the best effort in achieving performance and quality profits. We have continuously refined our structure and systems to ensure governance on the lines as defined, aware all the time that we are accountable to our stakeholders and the general public.

This statement describes the application of the corporate governance practices within the company during the year under review.

Board of Directors

The Board is the topmost body of Multi Finance PLC that carries the responsibilities of directing the company and of supervision. The responsibilities of the Board include making an accurate assessment of the company's position, making strategic decisions, attending Board meetings and Board sub committees, ensuring good governance and overseeing the risk management of the company.

Composition

The Board comprises nine (09) members, five of whom including the Chairman are Non-Executive Directors with a balance of skills and experience which is appropriate

for the business carried out by the company. The Board has determined that three Non-Executive Directors are 'independent' as per the criteria set out in the listing rules of the Colombo Stock Exchange.

The names of the Directors who served during the year under review are disclosed in the annual report of the Board of Directors on the affairs of the company on pages 18 to 22.

Tenure, Retirement and Re-election of Directors

At each Annual General Meeting one of the Directors for the time being, shall retire from office.

The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Appointments to the Board

The Remuneration Committee recommends the appointments to the Board as per the Articles of Association of the Company.

Board Meetings

During the year ended 31st March 2013, thirteen (13) meetings of the Board were held. The attendance at the meetings was;

CORPORATE GOVERNANCE CONTD...

Name of Director	Executive / Non-Executive / Independent Non-Executive	Attendance
Mr. E K I De Zoysa	Independent / Non-Executive	12/13
Mr. R M M J Ratnayake	Independent / Non-Executive	13/13
Mr. R M S Tillakawardana	Independent / Non-Executive	12/13
Mr. A H M Riyaz (Resigned with effect from 20th December 2012)	Executive Director	08/08
Mrs. C J Atapattu	Executive Director	13/13
Mrs. L P A R Wickremesooriya (Resigned with effect from 31st March 2013)	Executive Director	10/13
Mrs. R D Senarath (Appointed with effect from 24th October 2012)	Executive Director	05/05
Mr. K P N S Dayarathne	Non-Executive	13/13
Mr. B N R Mendis	Non-Executive	12/13
Mr. I D B Dassanayake (Appointed with effect from 29th November 2012)	Executive Director	01/04
Mr. C U Ratwatte (Appointed with effect from 29th November 2012)	Executive Director	01/04

The Chairman

Mr. Kuvera De Zoysa is a President's Counsel of the Supreme Court of Sri Lanka in active practice since 1993 in the fields of Commercial and Civil Law. He holds a Masters Degree (LL.M) in International Trade Law from the University of Wales. He was also awarded the "The Young Outstanding Persons" Award, the HSBC – JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the Law field.

He has served as Chairman/Director of People's Merchant Bank PLC and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of People's Bank and as Chairman of the Audit, Legal and Risk Management Committees of People's Bank. He currently serves on the Boards of many listed Companies and non-listed companies in IT, Power and leisure sector as a Non-Executive Independent director.

The Chief Executive Officer

The Board of Directors of Multi Finance PLC at its meeting held on 29th November 2012 accepted the resignation of Mr. Abdul Hassan Mohamed Riyaz – Group Executive Director / Chief Executive Officer with effect from 20th December 2012.

The Board of Directors of Multi Finance PLC at its meeting held on 29th November 2012 appointed Mr. Ajith Perera as the Chief Executive Officer with effect from 03rd December 2012.

Board Sub-Committees

An Audit Committee, a Remuneration Committee, and an Integrated Risk Management Committee function as Sub-Committees of the Board.

The Chief Financial Officer functions as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and, generally, in business activities undertaken by the company. Besides, the company had identified committees in-house for recoveries, credit and asset and liability management to regulate the relevant areas thereby ensuring that decision-making is on a participatory basis.

The reports of the Remuneration Committee, Integrated Risk Management Committee and Audit Committee are given on pages 23, 15, 16 and 17.

CORPORATE GOVERNANCE CONTD...

The Management

The day-to-day operations of the company are entrusted to the corporate and senior management headed by the Chief Executive officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act, the Finance Companies Act and the directions and rules issued thereunder. The unaudited provisional quarterly statements of accounts are released to the Colombo Stock Exchange (CSE) in compliance with the Listing Rules of the Colombo Stock Exchange.

Messrs. KPMG act as external auditors of the company. The auditors are allowed to act independently and without intervention from the management or the Board of the company to express an opinion on the financial statements of the company. All the required information is provided for examination to the Auditors.

Ethical Standards

The company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the company.

The company focuses on the training and career development of employees for the creation of an empowered and committed group of employees, who will drive the company to higher levels of achievement in keeping with its mission, vision, goals and values.

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for, except for certain assessments against which appeals have been lodged.

Compliance with Central Bank Regulations

As a registered Finance Company and a registered Finance Leasing establishment, the company is governed by the Non-Bank Financial Institutions Directions & Rules issued by the Monetary Board of the Central Bank of Sri Lanka.

Accordingly the company has to carry out and maintain business activities in compliance with the Directions from time to time issued by the Central Bank of Sri Lanka.

Code of Business Conduct and Ethics

Code of ethics is needed to make the right ethical decision on a day to day basis and at Multi Finance PLC it is believed that sustaining an ethical culture in the Company is of critical interest to all the stakeholders.

Employee Participation in Corporate Governance

Active participation in corporate governance by employees will help to serve the interest of shareholders through empowering employees to positively contribute towards good corporate governance. The Company recognizes that the employees as the biggest asset. To assist and facilitate transparency, it is imperative to institutionalize processes across all functions and hierarchies which are accessible to all. Moreover the Company provides a safe, secure and conducive environment for employees. It is always ensured that all relevant human resource standards and regulations are followed very stringently.

Pay for Performance

Performance Indicators and key result areas are cascaded from the Company's vision and strategies to the level of individual employees and employees' goal achievement is measured against set targets and the Company rewards outstanding achievements.

Accountability and Disclosure

In the year ended 31st March 2013, the members of the Board of Directors have reviewed in detail the quarterly financial statements and annual financial statements in order to satisfy themselves that they present a true and fair view of the company's affairs and these practices have been further strengthened as per the code of best practice on corporate governance, listing rules of the Colombo Stock Exchange and Directions issued under the Finance Companies Act.

CORPORATE GOVERNANCE CONTD...

Investor Rights and Relations

The company is bound to safeguard the rights of all shareholders and secure equal treatment for all shareholders. The company provides its annual financial statements within the mandatory period to all shareholders and the unaudited provisional financial statements are released to the Colombo Stock Exchange (CSE) in accordance with the listing rules of CSE.

All shares carry equal voting rights and the shareholders are informed of the Annual General Meeting before the mandatory period. The Board, senior management and the auditors attend the Annual General Meeting to answer the questions of shareholders.

By Order of the Board
Multi Finance PLC



Chayanika Abeyratna
Company Secretary

29th August 2013

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN LAST YEAR

Multi Finance PLC has viewed Corporate Social Responsibility (CSR) as an increasingly important tool of PR for the Company. Most of the other companies view CSR as an opportunity to strengthen their relationship with the masses but Multi Finance PLC looks beyond that traditional thinking and always see an opportunity for providing mental relief and satisfaction to people who are busy and stressful lifestyle.

As a result during the last couple of months, Multi Finance PLC highly focused on CSR activities in many different areas. Starting from the sponsorship of Ragama Cricket Club to supporting and encouraging their participation at the National Premier Limited Over 2012/ 2013 Championship – Tier “A” tournament. Cricket being the live-wire of Sri Lankan sports which ignites enthusiasm across all geographical and ethnic boundaries, Multi Finance PLC came forward to sponsor the Ragama Cricket Club team and to assist in their endeavor to motivate the young, upcoming players to reach the helm in domestic cricket and thereby vie for national team selection. The company in its effort to promote sports in Sri Lanka, laid the foundation for a worthy cause, by coming forward to sponsor the Ragama CC players and providing them the opportunity to participate in the National Premier Limited Over 2012/ 2013 tournament.

Towards the last quarter of the financial year 2012/2013 Multi Finance PLC highly concerned on events backed by social and religious values of the country as a result of that the company sponsored a blood donation campaign by united blood donating committee of Seerangoda, Pothuwagonna, Ganewatta at Pothuwagonna Maha Vidyalaya. This sponsorship was done for the 3rd consecutive year and we look forward to continue in the next financial year as well.

To support the country's Buddhist culture and to provide mental and relief satisfaction to the general public, the company sponsored an Adhistana Pooja Gatambe Temple Kandy and Shri Bodhi Raja Rama Ratnapura, by sponsoring this, the company expected to provide a better service to the community by not only focusing on their financial aspects but on mental aspects as well.

As an innovative Company Multi Finance PLC expects to focus on more CSR activities in the next financial year.

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board appointed Integrated Risk Management Committee (IRMC) as at the end of the year comprised of the following members:

- **Mr. K P N S Dayaratne**
Chairman
- **Mr. A H M Riyaz**
(Resigned with effect from 20th December 2012)
Group Executive Director / CEO
- **Ms. Lakmali Wickremasooriya**
(Resigned with effect from 31st March 2013)
Finance Director

The IRMC was established by the board of Directors, in compliance with the Finance Companies (Corporate Governance) Direction No 3 of 2008 Section 8(2) issued by the Monetary Board of the Central Bank of Sri Lanka.

The Committee held five (05) Meetings during the year under review. The IRMC updates the board on decisions made by the Committee in general and specifically of any risks which have or are likely to exceed prudential limits stipulated by the Board.

The Committee continued to work very closely with key management personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management.

The primary responsibility of the committee is to assist the Board of Directors in understanding and exercising regular oversight on risk management measures adopted by the management in operating the banking business. The duties of the IRMC include determining the adequacy and effectiveness of such measures and to ensure that the actual overall risk profile of the company conforms to the desirable risk profile of the company, as defined by the Board. In order to discharge the above duties and responsibilities the committee undertakes to carry out the following :

- Reviewing the terms of reference of all management committees dealing with specific risks or some aspect of risk such as executive Integrated Risk Management

Committee.

- Monitoring the actions initiated by senior management to test the effectiveness of the measures taken by the respective committees referred to above.
- Reviewing the annual work plan, related strategies, policies and framework of the above committees to ensure that the committees have a good understanding of their mandate and adequate mechanism to identify measure, avoid, mitigate, transfer or manage the risks within the qualitative parameters set by the IRMC.
- Maintain a continuous dialogue with the management committees directly or indirectly dealing with specific risks so that the IRMC is immediately informed of any hindrance, obstacle, discouragement or constraint in the performance of their functions and/or the implementation of their decisions.



Mr. K P N S Dayaratne

Chairman

Integrated Risk Management Committee

29th August 2013

AUDIT COMMITTEE REPORT

Composition

The Audit Committee comprises of three Non-Executive Directors, two of whom are Independent and the composition of the committee during the year was as follows.

Mr. Mohan Ratnayake	- Chairman – Independent / Non-Executive Director
Mr. Manohara Tillakawardana	- Independent / Non-Executive Director
Mr. Niloshan Mendis	- Non-Executive Director

Meetings

The Committee met on two (02) occasions during the year under review and the attendance of the members at such meetings was

Name of Director	Executive / Non-Executive Independent/ Non-Independent	Attendance
Mr. Mohan Ratnayake	Independent / Non-Executive Director	02/02
Mr. Manohara Tillakawardana	Independent / Non-Executive	02/02
Mr. Niloshan Mendis	Non-Executive Director	02/02

Functions

The functions of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities in the financial reporting process and audit of the financial statements by monitoring the integrity and reliability of the financial statements. The committee oversees the effectiveness of the system of internal controls and risk management, independence and performance of the external auditors while checking on the compliance with relevant laws, and regulations with a view to safeguarding the interests of all stakeholders of the company.

Transition to new/revised Sri Lanka Accounting Standards

It was mandatory to the Company with effect from 1st January 2012 to comply with the requirements of the new/revised Sri Lanka Accounting Standards (SLFRS) / (LKAS) which are based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Transition to new accounting standards and its impact on the

Company's financial statements were reviewed by the Audit Committee in consultation with the external auditors Messrs. KPMG.

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company with particular reference to the following.

- The preparation, presentation and adequacy of the disclosures in the company's annual and interim financial statements in accordance with Sri Lanka Accounting Standards.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.
- The systems and procedures in place to ensure that all transactions are accurately recorded in the books of accounts.
- The effectiveness of the financial reporting systems including the management accounts to ensure the reliability of information provided to the Board and other stakeholders of the company.

Internal Audit

The Internal Audit function is outsourced to Messrs. Ernst & Young - Chartered Accountants. The internal auditors are responsible to review and report on the efficacy of the internal control system and compliance with statutory and other regulations and the Company's accounting and operational policies. Control weaknesses highlighted in the internal audit reports are critically examined by the Committee and follow up action taken by the management on the audit recommendations are also reviewed. Internal Audit representatives are present at Audit Committee meetings during the discussion of their respective reports.

External Audit

During the year the Committee met with the Messrs. KPMG, External Auditors to discuss the Auditors' management letter pertaining to the previous year's audit and the Management's response thereto. Follow up action was taken to ensure that the recommendations contained in the management letter

AUDIT COMMITTEE REPORT CONTD...

were implemented by the management. Discussions were also held in regard to the nature, scope and approach of the audit for 2012/13 prior to commencement of the audit.

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence.

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31st March 2014, subject to the approval of the shareholders at the Annual General Meeting.



Mr. Mohan Ratnayake
Chairman, Audit Committee

29th August 2013

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Multi Finance PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2013.

General

Multi Finance PLC a Public Limited Liability is a Company domiciled in Sri Lanka, incorporated under the Companies Ordinance No.51 of 1938 on 14th October 1974. The Company was re-registered under the Companies Act No. 7 of 2007 on 26th February 2009 and changed its name from Multi Finance Company Limited to Multi Finance PLC with PB 891 PQ as the new number on 13th July 2011.

Multi Finance PLC was registered as a Finance Company by the Monetary Board of Sri Lanka under the Finance Companies Act No.78 of 1988 and registered under the Finance Leasing Act No.56 of 2000. It is also an approved Credit Agency under the Mortgage Act No.06 of 1949 and the Trust Receipt Ordinance No.12 of 1947.

Principal activities of the Company and review of performance during the year

The Company's principal activities during the year were acceptance of deposits, maintenance of savings accounts, granting lease and hire purchase facilities, micro finance facilities, gold loans, vehicle loans, mortgage loans, factoring, margin trading, and value added services.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The complete financial statements of the Company prepared in accordance with revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the auditors are given on pages 26 to 68.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 25.

Directors

The names of the Directors who held office during the accounting period are given below and their brief profiles appear on pages 7 to 9.

Executive Directors

Mrs. L. Wickremesooriya - Executive Director
(Resigned with effect from 31st March 2013)

Mrs. C J Atapattu - Executive Director

Mrs. R D Senarath - Executive Director
(Appointed with effect from 24th October 2012)

Mr. I D B Dassanayake - Executive Director
(Appointed with effect from 29th November 2012)

Mr. C U Ratwatte - Executive Director
(Appointed with effect from 29th November 2012)

Mr. A H M Riyaz - Group Executive Director/CEO
(Resigned with effect from 20th December 2012)

Non-Executive Directors

*Mr. Kuvera De Zoysa Independent /
Non-Executive Director

*Mr. R M M J Ratnayake Independent /
Non-Executive Director

*Mr. M S Tillakawardana Independent /
Non-Executive Director

Mr. K P N S Dayarathne Non-Executive Director

Mr. B N R Mendis Non-Executive Director

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD...

*Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange

Mr. B N R Mendis retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mrs. Romesha Dushyanthi Senarathretires by rotation at the Annual General Meeting in terms of Article 94 of the Articles of Association, and being eligible is recommended by the Directors for re-election.

Mr. Isira Dharmapriya Bandara Dassanayake retires by rotation at the Annual General Meeting in terms of Article 94 of the Articles of Association, and being eligible is recommended by the Directors for re-election.

Mr. Chanuka Upendra Ratwatte retires by rotation at the Annual General Meeting in terms of Article 94 of the Articles of Association, and being eligible is recommended by the Directors for re-election.

During the year under review;

Mr. A H M Riyaz and Mrs. L P A R Wickremesooriya, respectively Group Executive Director/CEO and Director Finance ceased to be Directors with effect from 20th December 2012 and 31st March 2013.

Mrs. Romesha Dushyanthi Senerath was appointed as the Group Chief Operating Officer/Executive Director with effect from 24th October 2012.

Mr. Isira Dharmapriya Bandara Dassanayake and Mr. Chanuka Upendra Ratwatte were appointed as Executive Directors with effect from 29th November 2012.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2013 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 24.

Auditors

Messrs. KPMG, Chartered Accountants served as the Auditors during the year under review. They do not have any interest in the Company other than that of Auditor.

A total amount of Rs. 445,000/- is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office.

Stated Capital

The Stated Capital of the Company is Rs. 346,990,186/-.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD...

Directors' Shareholding

The relevant interests of Directors in the shares of the Company are as follows.

Name of Director	Shareholding as 31/03/2013	Shareholding as 31/03/2012
Mr. Kuvera De Zoysa	-	-
Mr. R M M J Ratnayake	-	-
Mr. A H M Riyaz (Resigned with effect from 20th December 2012)	40,000	40,000
Mrs. L Wickremesooriya (Resigned with effect from 31st March 2013)	-	-
Mrs. C J Atapattu	20,575	20,575
Mr. K P N S Dayarathne	1,000	1,000
Mr. B N R Mendis	1,000	1,000
Mr. Manohara S Tillakawardana	-	-
Mrs. R D Senarath (Appointed with effect from 24th October 2012)	-	-
Mr. I D B Dassanayake (Appointed with effect from 29th November 2012)	-	-
Mr. C U Ratwatte (Appointed with effect from 29th November 2012)	-	-

Shareholders

There were 811 shareholders registered as at 31st March 2013

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 66 to 67 under Share Information.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

Compliance

The Company has established a permanent and effective compliance function. A dedicated Compliance Officer appointed by the Board independently monitors adherence to all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with laws and regulations as applicable to the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD...

The Compliance Officer also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Businesses Act No. 42 of 2011.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and all other known statutory dues that were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Going Concern

The Board of Directors has reviewed the Company's corporate / business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Accordingly, the financial statements of the Company are prepared based on the going concern concept.

Corporate Governance

The Board of Directors is responsible for the governance of the Company. The Board has placed considerable emphasis on developing rules structures and processes to ensure integrity and transparency in all the dealings of the Company and its best effort in achieving performance and quality profits, adopting good governance in managing the affairs of the Company. The Board in the discharge of its responsibilities aforesaid had been guided by the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the

Securities and Exchange Commission of Sri Lanka and the Listing Rules of the Colombo Stock Exchange and Finance Companies (Corporate Governance) Direction No. 03 of 2008.

The Board of Directors confirms that the Company is in compliance with section 7.10 of the Listing Rules of the CSE and the said Direction No. 03 of 2008.

An Audit Committee, Remuneration Committee, and an Integrated Risk Management Committee, function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

Audit Committee

Mr. Mohan Ratnayake
Mr. Niloshan Mendis
Mr. Manohara Tillakawardana

Remuneration Committee

Mr. Kuvera De Zoysa
Mr. Mohan Ratnayake

Integrated Risk Management Committee

Mr. K P N S Dayarathne
Mr. A H M Riyaz
(Resigned with effect from 20th December 2012)
Mrs. L Wickremesooriya
(Resigned with effect from 31st March 2013)
Mr. Shirantha Gannoruwa

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 10 to 13 explains the measures adopted by the Company during the year.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD...

Compliance with Laws and Regulations

The Company has established a permanent and effective compliance function. A compliance officer appointed by the Board independently monitors adherence to all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with laws and regulations as applicable to the Company.

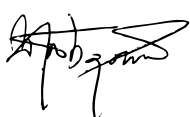
Acknowledgement of the Content of the Report

As required by section 168(1)(k) of the Companies Act, this report is signed on behalf of the Board of the Company by two Directors and the Secretary of the Company.

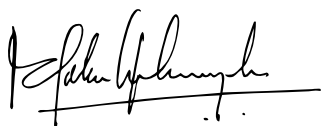
Annual General Meeting

The Notice of the Annual General Meeting appears on page 72.

This Annual Report is signed for and on behalf of the Board of Directors by



Mr. Kuvera De Zoysa
Chairman



Mr. Mohan Ratnayake
Deputy Chairman



Miss. Chayanika Abeyratna
Company Secretary

29th August 2013

REMUNERATION COMMITTEE REPORT

The Composition

The Remuneration Committee comprises of two Non-Executive Directors, who are independent. The Directors who serve on the Committee are:

Mr. Kuvera De Zoysa	-	Chairman (Independent / Non-Executive)
Mr. Mohan Ratnayake	-	Deputy Chairman (Independent / Non-Executive)

Meetings

The committee meets as often as necessary and makes recommendations on compensation structures bonuses increments and incentives to ensure that staff at all levels is adequately rewarded for their performance and commitment. The Chief Executive Officer and the Executive Directors who are responsible for the overall management of the company provides information to the committee and participate in its deliberations by invitation, except when the Executive Directors' own remuneration packages and other matters relating to them are discussed.

Functions

The functions of the committee include determination of the compensation and benefits of the Chief Executive Officer, Executive Directors, while ensuring that no Director is involved in setting his or her own remuneration. The committee determines the compensation and benefits of the key management personnel to establish performance parameters in setting their individual goals, targets and to review information related to executive pay to ensure same is par with the industry rate as per the strategy of the company.

A primary objective of the remuneration policy of the company is to attract and retain a highly qualified and experienced workforce and reward their performance commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long term shareholder return.



Mr. Kuvera De Zoysa

Chairman, Remuneration Committee

29th August 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the company as at the end of the financial year and the income and expenditure of the company for the financial year.

The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the company's financial statements under any other law.

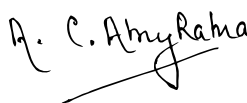
The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Companies Act, No. 78 of 1988 and the Directions issued thereunder.

The Directors are responsible for ensuring that the company keeps sufficient accounting records, which disclose the financial position of the company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors, after making inquiries and review of the company's business plan for the financial year 2012/2013, including cash flows and borrowing facilities, consider that the company has adequate resources to continue in operation.

By Order of the Board
Multi Finance PLC



Chayanika Abeyratna
Company Secretary

29th August 2013



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MULTI FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Multi Finance PLC (the "Company"), which comprise the statement of financial position as at 31st March 2013, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 30 to 68 of the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to, Note 43 to the financial statements which indicates that the Company has incurred a net loss of Rs. 57,607,525 during the year ended 31st March 2013 and, as of that date, the Company's Accumulated Loss is Rs. 3,073,442. These conditions, along with other matters more fully described in Note 43, indicate the required action and measures that are adopted by the Directors, for the Company to continue its business activities.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
29th August 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2013

	Notes	2013 Rs.	2012 Rs.
Income	4	281,175,416	174,901,307
Interest Income	5	270,556,066	149,370,067
Interest Expenses	6	(158,547,931)	(52,756,829)
Net Interest Income		112,008,135	96,613,238
Other Operating Income	7	4,417,510	20,086,403
Net Income from Operations		116,425,645	116,699,641
Operating Expenses			
Personal Cost		(54,437,834)	(29,100,823)
Net Impairment of AFS Investment	22.2	(2,345,088)	(22,102,198)
Provision for Retiring Gratuity		(793,209)	(965,577)
Depreciation of Property, Plant and Equipment		(12,586,544)	(6,600,422)
Other Operating Expenses		(92,911,350)	(50,885,635)
		(163,074,025)	(109,654,655)
Profit /(Loss) Before Other Income		(46,648,380)	7,044,986
Other Income	8	6,201,841	5,444,837
Profit / (Loss) Before Provisions		(40,446,539)	12,489,823
Impairment Charge for Loan and Other Losses		(14,839,405)	(8,780,222)
Profit / (Loss) Before Taxation & Value Added Tax	9	(55,285,944)	3,709,600
Value Added Tax on Financial Services		-	(4,611,070)
Loss Before Taxation		(55,285,944)	(901,470)
Income Tax Expenses	10	(2,321,581)	(1,113,593)
Loss for the Year		(57,607,525)	(2,015,063)
Other Comprehensive Income / (Expense)			
Recognition of Actuarial Gain / (Loss)		(313,625)	1,336,593
Other Comprehensive Income / (Expense) for the Period, Net of Income Tax		(313,625)	1,336,593
Total Comprehensive Income / (Expense) for the year		(57,921,150)	(678,470)
Loss per Share (Rs.)	11	(2.56)	(0.09)
Dividend per Share (Rs.)	12	-	0.11

The Accounting Policies and Other Explanatory Notes form an Integral Part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH

	Notes	2013 Rs.	2012 Rs.	01-04-2011 Rs.
ASSETS				
Cash and Cash Equivalents	13	277,314,934	44,027,072	28,663,330
Financial Assets Held for Trading	14	1,713,921	2,454,732	8,240,477
Rental Receivables on Lease	15	403,497,493	351,124,198	142,917,341
Rental Receivables on Hire Purchase	16	624,629,847	552,451,388	388,690,654
Advance and Other Loans	17	165,304,181	39,635,591	32,950,127
Trade and Other Receivables	18	63,404,969	38,878,286	26,507,805
Inventories	19	19,797,236	8,422,635	2,520,000
Amounts Due from Related Companies	20	1,420,557	286,291	300,238
Receivable from Inland Revenue		602,057	-	-
Investment in Long Term Government Securities	21	5,893,318	4,243,817	-
Financial Assets Available-for-sale	22	8,169,720	10,514,808	6,653,940
Intangible Assets	23	539,695	1,081,348	2,488,287
Property, Plant & Equipment	24	29,276,384	17,839,018	14,697,827
TOTAL ASSETS		1,601,564,312	1,070,959,184	654,630,026
LIABILITIES AND EQUITY				
Bank Overdraft	13	7,491,829	1,953,973	-
Deposits	25	505,147,390	365,774,496	144,733,473
Other Borrowings	26	400,000,000	26,000,000	-
Trade and Other Payable	27	57,234,746	72,418,745	21,118,692
Payable to Inland Revenue		-	1,514,129	11,949,694
Amounts Due to Related Companies	28	260,420,655	177,228,414	206,095,829
Retirement Benefit Obligation	29	2,798,818	1,998,984	2,711,500
Deferred Taxation	30	3,238,601	917,020	1,976,128
TOTAL LIABILITIES		1,236,332,039	647,805,761	388,585,316
EQUITY				
Stated Capital	31	346,990,186	346,990,186	189,990,196
Statutory Reserve Fund	32.1	4,761,902	4,761,902	3,486,736
General Reserve	32.2	11,266,050	11,266,050	11,266,050
Investment Fund Reserve	32.3	5,287,577	4,461,394	884,647
Available-for-Sale Reserve		-	-	(3,014,458)
Accumulated Profit / (Loss)		(3,073,442)	55,673,891	63,431,539
TOTAL EQUITY		365,232,273	423,153,423	266,044,710
TOTAL LIABILITIES & EQUITY		1,601,564,312	1,070,959,184	654,630,026

The Accounting Policies and other Explanatory Notes form an integral part of these Financial Statements.


Figures in brackets indicate deductions

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



Mr. N S Gannoruwa
Head of Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board of Directors of Multi Finance PLC


Mrs. R D Senerath

Director / Group Chief Operating Officer


Mrs. C J Atapattu
Director

29th August 2013
Colombo

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2013

	Stated Capital Rs.	Statutory Reserve Fund Rs.	General Reserve Rs.	Available-for- Sale Reserve Rs.	Retained Earnings Rs.	Investment Fund Reserve Rs.	Total Rs.
Balance as at 1st April 2011	189,990,196	3,486,736	11,266,050	(3,014,458)	63,431,539	884,647	266,044,710
Issue of shares during the year	156,999,990	-	-	-	-	-	156,999,990
Transfer to Investment Fund Reserve	-	-	-	-	(3,576,747)	3,576,747	-
Transfer to Statutory Reserve Fund	-	1,275,166	-	-	(1,275,166)	-	-
Impairment of AFS Investment	-	-	-	3,014,458	-	-	3,014,458
Dividend paid	-	-	-	-	(2,227,266)	-	(2,227,266)
Loss for the year	-	-	-	-	(2,015,063)	-	(2,015,063)
Other comprehensive income for the year	-	-	-	-	1,336,593	-	1,336,593
Balance as at 31st March 2012	346,990,186	4,761,902	11,266,050	-	55,673,891	4,461,394	423,153,423
Transfer to Investment Fund Reserve	-	-	-	-	(826,183)	826,183	-
Loss for the year	-	-	-	-	(57,607,525)	-	(57,607,525)
Other comprehensive income/(expense) for the year	-	-	-	-	(313,625)	-	(313,625)
Balance as at 31st March 2013	346,990,186	4,761,902	11,266,050	-	(3,073,442)	5,287,577	365,232,273

The accounting policies and other explanatory notes form an integral part of these Financial Statement.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2013

Notes	2013 Rs.	2012 Rs.
Loss Before Taxation	(55,285,944)	(901,470)
Adjustments for :		
Provision for Retirement Benefit Obligation	793,209	965,577
Depreciation on Property, Plant and Equipment	12,586,544	6,600,422
Interest Expenses	158,547,932	52,756,829
Amortisation of Intangible Assets	732,914	2,106,976
Profit on disposal of Property, Plant & Equipment	(105,233)	(1,826,177)
Impairment charge for loan and other losses	14,839,405	8,780,222
Profit from Sale of Dealing Securities	21,588	(1,120,566)
Provision for diminution in share value	297,698	621,032
Impairment of AFS Investment	2,345,088	22,102,198
Loss on Transfer of Dealing securities to Investment securities	-	482,031
Interest Income on Government Securities	(19,185,191)	(1,502,400)
	115,588,008	89,064,675
Changes in :		
(Increase) / Decrease in Investment in Hire Purchase, Lease and Other Loans	(265,059,748)	(387,433,278)
(Increase) / Decrease in Trade & Other Receivables	(10,426,230)	(6,991,011)
(Increase) / Decrease in Pre-Payments	(11,432,756)	(5,283,153)
(Increase) / Decrease in Amounts Due from Related Party	(1,134,266)	13,947
Increase / (Decrease) in Deposits from Customers	139,372,894	221,041,023
Increase / (Decrease) in Other Borrowings	374,000,000	26,000,000
Increase / (Decrease) in Amounts Due to Related Party	83,192,241	128,132,575
(Increase) / Decrease in Inventories	(11,374,601)	(5,902,635)
Increase / (Decrease) in Other Payables	(26,999,332)	52,050,054
Cash generated from Operating Activities	385,726,211	110,692,197
Gratuity Paid	(307,000)	(341,500)
Interest Paid	(145,611,080)	(45,901,244)
Income Tax paid	(2,218,384)	(12,608,265)
VAT on Financial Services paid	(1,073,160)	(7,633,080)
Net cash generated from Operating Activities	236,516,586	44,208,109
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(26,634,778)	(10,152,143)
Proceeds from sale of Property, Plant & Equipment	2,716,102	2,236,707
Investment in Investment Securities	-	(20,987,383)
Investment in Dealing Securities	-	(10,847,914)
Proceeds from sale of dealing securities	421,525	14,717,430
Purchase of Intangible Assets	(191,261)	(700,037)
Interest Receipt on Government Securities	16,459,279	1,406,083
Investment in Long term Government Securities	(1,537,447)	(4,243,817)
Net cash used in Investing Activities	(8,766,580)	(28,571,074)
Cash flow from Financing Activities		
Dividend paid	-	(2,227,266)
Net cash used in Financing Activities	-	(2,227,266)
Net Increase / (Decrease) in Cash and Cash Equivalents	227,750,006	13,409,769
Cash & Cash Equivalents at the Beginning of the period	13 42,073,099	28,663,330
Cash & Cash Equivalents at the end of the period	13 269,823,105	42,073,099

The Accounting Policies and other Explanatory Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2013

1. REPORTING ENTITY

Multi Finance PLC is a company incorporated and domiciled in Sri Lanka and listed on the Diri Savi Board of the Colombo Stock Exchange. The company is regulated under the Finance Business Act No. 42 of 2011. Its registered office is located at No. 281, R.A. de Mel Mawatha, Colombo 03.

The principal lines of business of the Company include acceptance of public deposits in the form of term deposits and savings deposits and providing of financial accommodations in the form of lease finance, hire purchase, trade loans, pledge loans and pawning.

Entrust Limited is the parent company of Multi Finance PLC, which is incorporated and domiciled in Sri Lanka.

The Board of Directors takes responsibility for the preparation and presentation of the Financial Statements. The financial statements for the year ended 31st March 2013 were authorized for issue by the Board of Directors in accordance with the resolution passed on 29th August 2013

2. BASIS OF PREPARATION

2.1 Responsibility for Financial Statements

The board of directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No. 07 of 2007.

The Board of Directors acknowledges this responsibility and those includes the following components:

- Information on the financial performance of the company for the year under review.
- Information on the financial position of the company as at the year end.
- Showing all changes in shareholders' equity during the year under review of the Company.
- Information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the financial statements including the Accounting Policies and other explanatory notes.

2.2 Statement of compliance

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which became applicable for financial periods beginning on or after 1st January 2012. The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with these Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No 7 of 2007 and Finance Business Act and amendments thereto and provide appropriate disclosures as required by the Central Bank of Sri Lanka.

These are the Company's first financial statements prepared in accordance with SLFRSs and SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards has been applied.

An explanation of how the transition to SLFRSs has affected the reported financial performance, financial position and cash flows of the Company is provided in pages 65-68.

The Company did not adopt any inappropriate accounting treatments which are not complying with the requirements of the SLFRSs and other laws and regulations governing the preparation of Financial Statements.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently subject to the impact in Note 2.1, with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

- Assets and liabilities held for trading are measured at fair value;
- Financial instruments designated at fair value through profit or loss are measured at Fair value;
- Derivative financial instruments are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

2.3. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the company operates. Financial Statements are presented in Sri Lankan Rupees, which is the company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

2.4. Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the Reporting date and more than 12 months after the Reporting date is presented in maturity analysis on page no. 64.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by an Accounting standard or interpretation and as specifically disclosed in the Accounting policies of the company.

2.5. Use of Estimate and Judgment

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The actual amount may defer from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 'Presentation of Financial Statements'.

2.7. Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.8. Comparative Figures

The Company has consistently applied the accounting policies with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.9. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values. The valuation of financial instruments is described in more detail in Note 33. The Company measures the fair value using the fair value hierarchy that reflects the significance of input used in making measurements, as described in 33.3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and in preparing the opening SLFRS statement of financial position as at 1st April 2011 for the purposes of the transition to SLFRSs, unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)**FOR THE YEAR ENDED 31ST MARCH 2013**

The accounting policies of the company are applied consistently by the Company.

3.1 Assets and Liabilities and Basis of Measurement**3.1.1 Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and balance with banks. They are brought into account at the face value or the gross value where appropriate. Bank overdraft that are repayable on demand & form an integral part of the Company's cash resources are included as a component of cash equivalents for the purpose of the cash flow statements.

3.1.2 Financial Assets and Financial Liabilities**3.1.2.1 Recognition and initial measurement**

The Company initially recognizes all financial assets and liabilities on the settlement date. However for financial assets/liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in the Statement of Comprehensive Income while for available for sale financial assets any changes in fair value from the trade date to settlement date is accounted in the Statement of Other Comprehensive Income.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.1.2.2 Subsequent Measurement**(a) Financial assets**

At inception a financial asset is classified in one of the following categories:

- At fair value through profit or loss (either as held for trading or designated at fair value through profit or loss)
- Loans and Receivables
- Held to maturity financial assets
- Available-for-sale financial assets

(b) Financial liabilities

The Company initially recognizes all financial liabilities on the date that they are originated and classifies its financial

liabilities as measured at amortized cost or fair value through profit or loss.

3.1.2.3 Financial assets and financial liabilities at fair value through profit or loss

A financial asset or a financial liability is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated as fair value through profit or loss when;

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognized separately.

Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

3.1.2.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Loans and advances, bills of exchange, commercial papers and lease receivables are classified as loans and receivables.

3.1.2.5 Held to maturity financial assets (HTM)

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortized cost

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sale or reclassification that is so close to maturity that changes in the market rate of interest would not have a significant effect on that financial assets fair value.
- Sale or reclassification after the group has collected all the assets original principal.
- Sale or reclassification attributable to non recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

3.1.2.6 Available-for-sale financial assets (AFS)

Available-for-sale investments are non-derivative investments that were designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost.

All other available-for-sale investments are carried at fair value. Interest income on AFS financial assets are recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Company becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

Financial Liabilities

3.1.2.7 Financial liabilities measured at amortized cost

Financial liabilities not classified as fair value through profit or loss are classified as amortized cost instruments. Deposit liabilities including non interest bearing deposits,

savings deposits, term deposits, deposits redeemable at call and certificates of deposit and borrowings are classified as financial liabilities measured at amortized cost.

3.1.2.8 Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.1.2.9 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)**FOR THE YEAR ENDED 31ST MARCH 2013**

value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation.

Technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

3.1.2.10 Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition. Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances:

- To the available-for-sale category where in rare circumstances, there are no longer held for the purpose of selling or repurchasing in the near future.
- To the loans and receivable category where they are no longer held for the purpose of selling or repurchasing in

the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity. Held-to-maturity assets are reclassified to the available-for sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognized in shareholders' equity prior to the date of reclassification is amortized to the income statement over the remaining life of the financial asset, using the effective interest method.

3.1.2.11 Derecognition

The Company derecognizes financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

3.1.1.2.12 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.1.1.2.13 Identification, measurement and assessment of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and

advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Company uses of historical trends of the probability of default, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

The Company writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3.1.1.2.14 Rescheduled Loans

Loans whose original terms have been modified including those subject to forbearance strategies are considered rescheduled loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

3.1.1.2.15 Inventories

Inventories include new vehicles purchased for the purpose of lease out under finance leases. These inventories are valued at cost or net realizable value whichever is lower. The cost of an inventory is the purchase price. Net realizable value is the estimated realizable value less estimated cost necessary to make the sale.

Inventories

(a) Repossessed Stock

Repossessed stock includes assets of facilities which were in default and are now repossessed. Repossessed stocks are valued at outstanding facility balance at the time of closing the facility and net realizable value of the asset whichever is lower. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale.

(b) Vehicle Stock

Vehicle stock represents vehicles purchased for the purpose of granting loan facilities. These are valued at cost or net realizable value whichever is lower..

3.1.1.2.16 Intangible Assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

(a) Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be

measured reliably. An intangible asset is initially measured at cost.

i) Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortization and any accumulated impairment losses.

(b) Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(c) Amortization

Intangible assets, are amortized on a straight line basis in the Statement of Comprehensive Income from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is 6 years. Expenditure on an intangible item that was initially recognized as an expense by the Company in previous Annual Financial Statements are not recognized as part of the cost of an intangible asset at a later date. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Retirement and Disposal

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.1.2.16 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period..

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

(a) Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

(b) Measurement

An item of property, plant and equipment that qualify for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

(c) Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Comprehensive Income as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

(d) Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in Statement of Income when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

(e) Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases on the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Motor vehicles – Brand New	20%
Motor vehicles – Reconditioned	25%
Computer Hardware	25%
Office equipment	25%
Furniture and fittings	25%
Computer Software	33 1/3%

3.1.2.17 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalized as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 23 (LKAS 23) "Borrowing Costs". Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

3.1.2.18 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Liabilities and provisions

3.1.2.19 Employee Retirement Benefits

(a) Defined Benefit Plans – Retiring Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard -19 “Employee Benefits” (LKAS 19) and valuation of the defined benefit obligation is carried out with the advice of and actuary. The key assumptions used in determining the defined benefit obligations are given in note 29. Actuarial gains or losses are recognized in the Statement of Other Comprehensive Income in the period in which they arise. The defined benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

(b) Funding Arrangement

The gratuity liabilities are not externally funded.

Gratuity payments are being made by the company according to the Gratuity Act No 12 of 1983. Accordingly the company is liable to pay gratuity to

permanent employees who have completed a minimum of five years service in the company at the rate of 50% of the last drawn salary for each completed year of service.

(c) Defined Contribution Plan

i) Employees’ Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employee Provident Fund.

ii) Employees’ Trust Fund

The Company contributes 3% of the salary of each employee to the Employees’ Trust Fund.

3.1.2.20 Dividend Payable

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted

3.1.2.21 Other Liabilities

Other Liabilities include interest, fees and expenses and amounts payable suppliers and other provisions. These liabilities are recorded at amounts expected to be payable at the Reporting date.

Income & Expense Recognition

3.1.2.22 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income include Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.1.2.23 Dividend

Dividend income is recognized in the Statement of Comprehensive Income on an accrual basis when the Company's right to receive the dividend is established.

3.1.2.24 Fee and Commission Income

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are performed.

3.1.2.25 Profit / (Loss) from Sale of Lease Assets

Profit / loss from sale of Lease Assets is recognized in the period in which the sale occurs and is classified as other income /expense.

3.1.2.26 Expense Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency have been charged to the income in arriving at the profit/(loss) for the year.

3.1.2.27 Fee and Commission Expenses

Fee and commission expenses are recognized on an accrual basis.

3.1.2.28 Income Tax Expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates

to items recognized directly in equity, in which case it is recognized in equity.

(i) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto at the schedule specified in Note No 10.

(ii) Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date. Deferred tax liabilities are not recognized for the temporary differences.

The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor differences relating to investments in Subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

(iii) Value Added Tax on Financial Services

The base for the computation of Value Added Tax on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

(iv) Withholding Tax on Dividends, distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized.

(v) Economic Service Charge

As per the provisions of the Finance Act No.11 of 2004 and amendments thereto, the ESC was introduced with effect from 01 April 2004. ESC is payable at 0.25% on "Liable Turnover" and deductible from the Income Tax payments. Unclaimed ESC, if any can be carried forward and set off against the income tax payable in five subsequent years. ESC is liable if and only if the Company makes taxable losses in the previous year and turnover exceeds 50 Mn per quarter.

3.1.2.29 Maturity Analysis

The Company has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

3.1.2.30 Cash Flow Statement

The Cash Flow Statement has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards (LKAS) 7 "Cash Flow Statements". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balance in banks.

3.1.2.31 Events after the reporting period

All material events after the Statement of Financial Position date have been considered and where appropriate adjustments to / or disclosures have been made in the respective notes to the Financial Statement.

3.1.2.32 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments are also included with appropriate disclosures.

3.1.2.33 Offsetting of Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

3.1.2.34 Investment Fund Account

As proposed in the budget proposals of 2011 every person or partnership who is in the business of Companying or financial services is required to establish and operate an Investment Fund Account. As and when taxes are paid after 1st January 2011 Licensed Commercial Companies are required to transfer the following funds to the Investment Fund Account and build a permanent fund in the Company.

- 8% of the calculated profit for the payment of Value Added Tax (VAT) on Financial Services on dates as specified in the VAT Act for payment of VAT.
- 5% of the profit before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self-assessment payments of tax.

Licensed Finance Companies shall utilize the funds in the Investment Fund Account in the following manner. Invest in long term government securities and/or bonds with maturities not less than seven years.

- Lend on maturities not less than five years at interest rates not exceeding 5 year treasury bond rates plus 2%
- Lend only for the following purposes:
 - I. Long term loans for cultivation of plantation crops/ agriculture crops including fruits, vegetables, cocoa

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

- | | |
|--|--|
| <p>and spices and for livestock and fisheries.</p> <p>II. Factory / mills modernisation / establishment / expansion</p> <p>III. Small and medium enterprises Loans up to Rs. 200 Mn to enterprises with annual turnover less than Rs. 600 Mn.</p> <p>IV. Information technology related activities and business process outsourcing.</p> <p>V. Infrastructure development.</p> <p>VI. Education – vocational training and tertiary education.</p> <p>VII. Housing up to Rs. 2 Mn per customer for construction of a house for residential purposes.</p> <p>VIII. Construction of hotels and for related purposes.</p> <p>IX. Restructuring of loans extended for the above purposes.</p> | <p>date of SLFRS 10, 11, 12 and 13.</p> <p>The extent of the impact has not been determined.</p> |
|--|--|

3.1.2.35 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to conform with the current year's classification in order to provide better presentation and as required by the SLFRS 1 First Time Adoption of Sri Lanka Accounting Standards.

3.1.2.36 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2013 and have not been applied in preparing these financial statements.

These include;

SLFRS 09 – Financial Instruments which will be effective from 01 January 2015.

The International Accounting Standard Board (IASB) has issued IFRS 10, 11, 12 and 13 which are effective from 01 January 2013. However the Institute of Chartered Accountants of Sri Lanka has decided to defer the effective

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

4. INCOME

Interest Income (Note 5)
Other Operating Income (Note 7)
Other Income (Note 8)

2013 Rs.	2012 Rs.
270,556,066	149,370,067
4,417,509	20,086,403
6,201,841	5,444,837
281,175,416	174,901,307

5. INTEREST INCOME

Lease Finance
Hire Purchase
Loans
Fixed Deposit Loans
Pawning
Ran Savings
Micro Finance
Repurchase Agreement
Treasury Bonds (Note No. 5.1)

91,403,874	43,579,409
143,143,913	97,896,741
4,445,128	1,609,416
444,851	399,961
11,309,577	4,382,140
24,527	-
80,289	-
17,005,232	1,350,003
2,698,675	152,397
270,556,066	149,370,067

5.1 Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions

Section 137 of the Inland Revenue Act No. 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities be entitled to a notional tax credit (being one ninth of the net interest income), provided such interest income forms part of the statutory income of the Company for that year of assessment.

6. INTEREST EXPENSES

Interest on ; Fixed Deposits / Savings Deposits
Loan From Entrust Limited
Reverse Repo interest
Bank Loans
Bank OD Interest
Bumper Savings
Short term Loans / Commercial Papers

2013 Rs.	2012 Rs.
79,937,160	31,418,087
20,166,156	21,223,170
1,754,314	-
52,790,753	-
38,636	-
-	15,518
3,860,912	100,054
158,547,931	52,756,829

7. OTHER OPERATING INCOME

Loss on Repossessed Stock
Default Charges
Finance Charges
Service / Documentation Charges
Termination Income on Lease and Hire Purchase
Other Charges

(21,602,361)	(4,670,527)
12,342,101	7,537,222
2,173,132	669,044
95,549	3,274,828
8,447,564	12,439,695
2,961,525	836,141
4,417,510	20,086,403

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

FOR THE YEAR ENDED 31ST MARCH 2013

8. OTHER INCOME

	2013 Rs.	2012 Rs.
Insurance Commission	2,498,359	1,692,125
Profit on Disposal of Fixed Assets	105,233	1,826,177
Dividend Income	159,472	216,343
Profit / (loss) from Sale of Dealing Securities	(21,588)	1,120,566
(Provision) / Reversal of diminution in share value	(297,698)	(593,539)
Money market / savings interest	1,867,111	-
Loss on Transfer of Dealing securities to Investment securities	-	(482,031)
Gain on market value changes	274,313	1,432,223
Sundry Income	1,616,639	232,973
	6,201,841	5,444,837

9. PROFIT/(LOSS) BEFORE TAXATION AND VALUE ADDED TAXATION (VAT)

is stated after charging all the expenses including the following:

Auditor's Remuneration	455,000	320,000
Depreciation	12,586,544	6,600,422
Personnel Costs Include,		
Defined Benefit Plan - Gratuity Provision	793,209	965,577
Defined Contribution Plan - EPF	4,869,225	2,565,039
- ETF	1,218,694	641,260
Other Staff Costs	43,719,914	24,928,947

10. INCOME TAX EXPENSES

10.1 Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.

TAXATION

	2013 Rs.	2012 Rs.
Current Tax Expense	-	2,885,210
Under/ (Over) Provision in respect of previous period	-	(712,509)
Deferred Taxation (Note 30)	2,321,581	(1,059,108)
	2,321,581	1,113,593

10.2 Reconciliation between Accounting Profit and Taxable Profit

Accounting Profit / (Loss) before Income Tax expenses	(55,285,944)	(901,470)
Exempt income	(7,539,826)	(2,288,470)
Aggregate Disallowed Items	132,955,170	140,803,014
Aggregate Allowable Expenses	(122,169,659)	(112,082,963)
Taxable Profit from the entire business	(52,040,259)	25,530,111
Taxable loss from Leasing business	20,969,187	3,321,990
Total Statutory Income/(loss)	(31,071,072)	28,852,101
Tax losses brought forward from Finance leasing & utilized	-	-
Assessable Income/ Taxable Income (loss)	(31,071,072)	28,852,101
Current Income tax @ 10%	-	2,885,210
Current Income tax @ 28%	-	-
Social Responsibility levy @ 1.5% (2011)	-	-
Current Income Tax Expense & SRL	-	2,885,210

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

10.3 Reconciliation of Tax Loss from Leasing Business

Loss B/F	
Additional loss set-off against tax expense of 2010/11	
Loss during the year	
Loss C/F	

2013 Rs.	2012 Rs.
3,706,478	815,937
-	(431,449)
20,969,187	3,321,990
24,675,665	3,706,478
-	-
31,071,072	-
31,071,072	-

10.4 Reconciliation of Tax Loss from other Business

Loss B/F	
Loss during the year	
Loss C/F	

11. LOSS PER SHARE

The Basic Loss per Share has been calculated based on the loss after tax attributable to the equity shareholders of the Company for the year divided by the weighted average number of ordinary shares outstanding during the year.

	2013 Rs.	2012 Rs.
Loss attributable to ordinary shareholders (Rs.)	(57,607,525)	(2,015,063)
Weighted average number of Ordinary Shares outstanding during the year	22,462,039	20,592,992
Loss per Share (Rs.)	(2.56)	(0.09)

12. DIVIDEND PER SHARE

Dividend paid during the year (Rs.)	-	2,227,266
Number of Ordinary Shares entitled for dividend	-	20,592,992
Dividend per Share (Rs.)	-	0.11

13. CASH AND CASH EQUIVALENTS

Favourable Balance

Investment in Repurchase Agreement	
Cash at Bank	
Cash in Hand	

Unfavourable Balance

Overdraft

Cash and Cash Equivalent for the Purpose of Statement of Cash Flows

2013 Rs.	2012 Rs.	01-04-2011 Rs.
219,669,678	22,043,983	15,139,167
54,586,343	20,758,354	12,728,350
3,058,913	1,224,735	795,813
277,314,934	44,027,072	28,663,330
(7,491,829)	(1,953,973)	-
269,823,105	42,073,099	28,663,330

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

14. FINANCIAL ASSETS HELD FOR TRADING

Quoted Investments (Note 14.1)

2013	2012	01-04-2011
Rs.	Rs.	Rs.
1,713,921	2,454,732	8,240,477

14.1 Quoted Investments	2013			2012			01-04-2011		
	No. of	Cost	Market	No. of	Cost	Market	No. of	Cost	Market
	Shares	Rs.	Value	Shares	Rs.	Value	Shares	Rs.	Value
ACME Print & Packaging PLC	36	962	421	36	962	702	26,336	703,498	560,957
Ceylon Leather Products PLC	10,000	1,036,876	623,000	10,000	1,036,876	919,000	10,000	1,036,877	900,000
Equity Two PLC	-	-	-	14,700	443,113	366,030	15,000	452,156	408,000
MTD Walkers PLC	10,000	716,106	245,000	10,000	716,106	230,000	15,700	1,135,227	1,020,500
Maskeliya Plantation PLC	10,000	320,041	121,000	10,000	320,041	171,000	10,000	320,041	281,000
Asiri Surgical PLC	-	-	-	-	-	-	50,000	456,416	425,000
Print Care PLC	-	-	-	-	-	-	100	13,350	12,760
Galadari Hotels (Lanka) PLC	-	-	-	-	-	-	20,000	870,533	648,000
Lankem Ceylon PLC	-	-	-	-	-	-	3,000	1,302,142	1,204,500
Laugfs Gas PLC	-	-	-	-	-	-	21,600	1,042,854	959,040
On'ally Holding PLC	-	-	-	-	-	-	5,300	364,734	383,720
Royal Ceramic Lanka PLC	-	-	-	-	-	-	6,000	924,181	942,000
Vallibel Finance PLC	-	-	-	-	-	-	10,000	529,869	495,000
Arpico Finance PLC	6,000	932,529	537,000	6,000	932,529	558,000	-	-	-
York Arcade PLC	12,500	510,047	187,500	12,500	510,047	210,000	-	-	-
	48,536	3,516,561	1,713,921	63,236	3,959,674	2,454,732	193,036	9,151,878	8,240,477

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

15. RENTALS RECEIVABLES ON LEASED ASSETS

Receivable from over five years

Rentals Receivable

Less: Unearned Income

2013 Rs.	2012 Rs.	01-04-2011 Rs.
887,207	-	-
(49,950)	-	-
837,257	-	-

Receivable from one to five years

Rentals Receivable

Less: Unearned Income

Rentals Received in Advance

358,825,546	344,662,015	168,021,476
(85,933,156)	(83,733,142)	(33,485,375)
(1,041,811)	(1,041,811)	(896,048)
271,850,579	259,887,062	133,640,053

Receivable within one year

Rentals Receivable

Less: Unearned Income

188,677,874	159,211,661	36,959,092
(77,199,365)	(65,317,585)	(26,614,916)
111,478,509	93,894,076	10,344,176

Overdue rental receivable

Rentals Receivable

Less: Provision for Impairment

32,541,776	8,258,542	5,578,456
(13,210,628)	(10,915,482)	(6,645,344)
19,331,148	(2,656,940)	(1,066,888)

Total

Rentals Receivable

Less: Unearned Income

Impairment charge for Lease receivables (15.1)

Rentals Received in Advance

580,932,403	512,132,218	210,559,024
(163,182,471)	(149,050,727)	(60,100,291)
(13,210,628)	(10,915,482)	(6,645,344)
(1,041,811)	(1,041,811)	(896,048)
403,497,493	351,124,198	142,917,341

15.1 Movement in Impairment charge for Lease receivables

Balance at the beginning of the year

Provision of during the year

Balance at the end of the year

10,915,482	6,645,344	-
2,295,146	4,270,138	6,645,344
13,210,628	10,915,482	6,645,344

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

16. RENTALS RECEIVABLES ON HIRE PURCHASE

Receivable from one to five years

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Rentals Receivable	525,308,426	482,475,917	409,199,189
Less: Unearned Income	(125,773,368)	(108,720,739)	(73,387,862)
Rentals Received in Advance	(398,635)	(461,682)	(434,924)
	399,136,423	373,293,496	335,376,403

Receivable within one year

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Rentals Receivable	313,781,979	263,895,298	118,843,843
Less: Unearned Income	(120,047,146)	(99,525,230)	(76,731,802)
	193,734,833	164,370,068	42,112,041

Overdue rental receivable

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Rentals Receivable	51,342,648	21,827,622	13,731,924
Less: Provision for impairment for Hire Purchases	(19,584,057)	(7,039,798)	(2,529,714)
	31,758,591	16,922,790	11,202,210

Total

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Rentals Receivable	890,433,053	768,198,837	541,774,956
Less: Unearned Income	(245,820,514)	(208,245,969)	(150,119,664)
Impairment charge for Hire Purchase receivables (16.1)	(19,584,057)	(7,039,798)	(2,529,714)
Rentals Received in Advance	(398,635)	(461,682)	(434,924)
	624,629,847	552,451,388	388,690,654

16.1 Movement in Impairment charge for Hire Purchase receivables

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Balance at the beginning of the year	7,039,798	2,529,714	4,399,453
Provision/(Reversal) during the year	12,544,259	4,510,084	(1,869,739)
Balance at the end of the year	19,584,057	7,039,798	2,529,714

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

17. ADVANCE AND OTHER LOANS

Net Investment in Loans (Note 17.1)
 Net Investment in Loans against Fixed Deposits (Note 17.2)
 Net Investment in Pawning Advances (Note 17.3)

17.1 Net Investment in Loans

Loan Rental Receivable
 Rentals in Arrears
 Less: Unearned Income

17.2 Net Investment in Loans against Fixed Deposits

Fixed Deposit Loan Rental Receivable
 Rentals in Arrears
 Less: Unearned Income

17.3 Net Investment in Pawning Advances

Pawning Advance
 Interest Receivable on Pawning Loan

18. TRADE AND OTHER RECEIVABLES

Interest Receivable on Repurchase agreement
 Other Receivables (Note 18.1)
 Deposits and Prepayments (Note 18.2)

18.1 OTHER RECEIVABLE

Withholding Tax Receivables
 Value Added Tax Receivable
 ESC Receivable
 Others

18.2 DEPOSITS AND PREPAYMENTS

Deposits
 Rent Advance
 Prepayments

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
17. ADVANCE AND OTHER LOANS			
Net Investment in Loans (Note 17.1)	35,058,682	17,448,243	6,543,902
Net Investment in Loans against Fixed Deposits (Note 17.2)	1,251,214	1,633,718	1,873,128
Net Investment in Pawning Advances (Note 17.3)	128,994,284	20,553,630	24,533,097
	165,304,181	39,635,591	32,950,127
17.1 Net Investment in Loans			
Loan Rental Receivable	45,909,099	24,329,916	11,354,690
Rentals in Arrears	1,955,133	614,578	(1,656,411)
Less: Unearned Income	(12,805,549)	(7,496,251)	(3,154,377)
	35,058,682	17,448,243	6,543,902
17.2 Net Investment in Loans against Fixed Deposits			
Fixed Deposit Loan Rental Receivable	1,456,369	1,641,386	1,604,754
Rentals in Arrears	52,645	388,299	662,206
Less: Unearned Income	(257,800)	(395,967)	(393,832)
	1,251,214	1,633,718	1,873,128
17.3 Net Investment in Pawning Advances			
Pawning Advance	117,746,135	16,787,300	22,110,948
Interest Receivable on Pawning Loan	11,248,149	3,766,330	2,422,149
	128,994,284	20,553,630	24,533,097
18. TRADE AND OTHER RECEIVABLES			
Interest Receivable on Repurchase agreement	2,829,130	161,434	65,117
Other Receivables (Note 18.1)	21,693,761	22,498,530	17,430,919
Deposits and Prepayments (Note 18.2)	38,882,078	16,218,322	9,011,769
	63,404,969	38,878,286	26,507,805
18.1 OTHER RECEIVABLE			
Withholding Tax Receivables	2,252,599	161,027	787,259
Value Added Tax Receivable	18,639,157	21,833,791	15,429,664
ESC Receivable	697,005	503,712	1,213,996
Others	105,000	-	-
	21,693,761	22,498,530	17,430,919
18.2 DEPOSITS AND PREPAYMENTS			
Deposits	309,074	4,314,074	1,148,674
Rent Advance	19,664,000	4,428,000	5,670,000
Prepayments	18,909,004	7,476,248	2,193,095
	38,882,078	16,218,322	9,011,769

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
19. INVENTORIES			
Three wheeler	-	1,169,400	-
Reposessed Stock	19,797,236	7,253,235	3,367,213
Less: Provision for decrease in value	-	-	(847,213)
	19,797,236	8,422,635	2,520,000
20. AMOUNTS DUE FROM RELATED COMPANIES			
Entrust Limited	-	274,820	260,024
Entrust Healthcare Limited	1,420,557	-	-
Entrust Securities PLC		11,471	40,214
	1,420,557	286,291	300,238
21. INVESTMENT IN LONG TERM GOVERNMENT SECURITIES			
Treasury Bond	5,893,318	4,243,817	-
22. INVESTMENT SECURITIES			
Quoted Share Investment (Note 22.1)	8,167,220	10,512,308	6,651,440
Non Quoted Shares Investment (Note 22.3)	2,500	2,500	2,500
	8,169,720	10,514,808	6,653,940

22.1 Quoted Share Investment	No. of Shares	2013 Cost Rs.	Market Value Rs.	No. of Shares	2012 Cost Rs.	Market Value Rs.	No. of Shares	01-04-2011 Cost Rs.	Market Value Rs.
Environmental Resources PLC	90,000	6,999,464	546,000	90,000	6,999,464	878,054	90,000	6,999,464	4,263,000
Three Acre Farms PLC	14,200	2,666,433	602,080	14,200	2,666,433	727,322	14,200	2,666,433	2,388,440
Central Finance PLC	2,583	758,400	464,940	2,583	758,400	437,512	-	-	-
Galadari Hotels (Lanka) PLC	70,000	2,408,226	847,000	70,000	2,408,226	1,349,712	-	-	-
HVA Foods PLC	100,000	7,303,489	1,120,000	100,000	7,303,489	1,483,200	-	-	-
Laugfs Gas PLC	21,600	873,545	529,200	21,600	873,545	551,038	-	-	-
Panasian Power PLC	650,000	4,312,785	1,755,000	650,000	4,312,785	1,671,072	-	-	-
Vallibel Finance PLC	10,000	442,983	283,000	10,000	442,983	383,654	-	-	-
Entrust Securities PLC	100,000	5,157,120	1,780,000	100,000	5,157,120	2,264,352	-	-	-
PC House PLC	80,000	1,692,061	240,000	80,000	1,692,061	648,653	-	-	-
	1,138,383	32,614,506	8,167,220	1,138,383	32,614,506	10,394,569	104,200	9,665,898	6,651,440
Less : Provision for Impairment		(24,447,286)			(22,102,198)				
		8,167,220			10,512,308				6,651,440

22.2 Due to significant and prolong decline in value of quoted shares, the company has decided to recognize an impairment loss of Rs. 2,345,088 for the year ended 31st March 2013. (Rs. 22,102,198 - 2011/12).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

22.3 Non Quoted Shares Investment

Vanik Incorporation Limited
Credit Information Bureau of Sri Lanka

Less : Provision for diminution in value

2013 Rs.	2012 Rs.	01-04-2011 Rs.
-	31,250	31,250
2,500	2,500	2,500
2,500	33,750	33,750
-	(31,250)	(31,250)
2,500	2,500	2,500

23. INTANGIBLE ASSETS**Cost**

Balance at the beginning of the year
Additions during the period

Balance at the end of the year

6,713,934	6,013,897
191,261	700,037
6,905,195	6,713,934

Amortization

Balance at the beginning of the year
Charge for the year

Balance at the end of the year

5,632,586	3,525,610
732,914	2,106,976
6,365,500	5,632,586

Carrying Value at the end of the year

539,695	1,081,348
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24. PROPERTY, PLANT AND EQUIPMENT**Deemed Cost**

Balance at the beginning of the year
Additions during the year
Disposals during the year

Balance at the end of the year

Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total 2013 Rs.	Total 2012 Rs.	Total 2011 Rs.
7,533,837	12,128,658	5,424,728	5,232,683	30,319,906	23,842,414	71,107,476
5,143,476	8,960,113	5,043,659	7,487,530	26,634,778	10,152,142	8,425,927
-	-	-	(3,560,357)	(3,560,357)	(3,674,650)	(55,690,990)
12,677,313	21,088,771	10,468,387	9,159,856	53,394,327	30,319,906	23,842,413

Accumulated Depreciation

Balance at the beginning of the year
Charge for the year
Disposal / Transfers during the year

Balance at the end of the year

3,584,197	4,877,707	2,127,715	1,891,269	12,480,888	9,144,586	8,146,160
2,901,270	4,864,272	2,319,983	2,501,018	12,586,544	6,600,422	2,912,878
-	-	-	(949,488)	(949,488)	(3,264,120)	(1,914,451)
6,485,467	9,741,979	4,447,699	3,442,798	24,117,943	12,480,888	9,144,587

Carrying Value as at 31st March 2013

6,191,846	11,346,791	6,020,689	5,717,057	29,276,384
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Carrying Value as at 31st March 2012

3,949,640	7,250,951	3,297,013	3,341,414	17,839,018
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Carrying Value as at 31st March 2011

3,390,879	5,949,859	2,758,804	2,598,285	14,697,827
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NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**AS AT 31ST MARCH****25. DEPOSITS FROM CUSTOMERS**

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Fixed Deposits	504,967,390	365,628,496	144,517,689
Muthuhara Saving Deposits	180,000	146,000	106,500
Investment Saving Deposits	-	-	109,284
	505,147,390	365,774,496	144,733,473

26. OTHER BORROWINGS

Bank Loan	350,000,000	-	-
Short Term Loan	50,000,000	26,000,000	-
	400,000,000	26,000,000	-

26.1 Terms and conditions of other borrowings as follows,

Type	Lender	Balance outstanding	Repayment	Security
Trust Certificate	Saylan Bank	Rs.350 million	Rs.225mn in May 2013 Rs.25mn in June 2013 Rs.20mn each in Jul, Aug, Sep, Oct and Nov.2013 Interest payable quarterly at the rate of 17.25%pa - 18%pa	Selected lease and hire purchase receivables
Commercial Paper	Individual	Rs. 50 million	3 months renewable	-

27. TRADE AND OTHER PAYABLE

	2013 Rs.	2012 Rs.	01-04-2011 Rs.
Advance paid for New Contracts	250,720	250,720	-
Direct Deposit made by the Existing Customers	8,956,158	4,106,140.00	-
Payable to Suppliers	7,849,570	44,511,905	2,155,011
Accrued Interest on Fixed and Savings Deposits	15,334,495	12,772,501	5,974,324
Ceylinco Leasing Company Ltd.	-	1,315,357	1,315,358
Statutory Payables (Note 27.1)	15,901	1,646,422	4,287,761
Accrued Expenses	13,016,646	1,732,413	5,322,731
Other Payable	11,811,255	6,083,287	2,063,507
	57,234,746	72,418,745	21,118,692

27.1 STATUTORY PAYABLES

VAT on Financial Service	(898,304)	174,855	3,196,865
VAT	249	19,054	246,155
WHT	518,709	24,041	53,456
SRL Payable	(102,270)	-	141,989
PAYE	2,000	-	35,876
Stamps Duty	392,234	1,343,196	210,186
Semi Luxury Tax	67,776	85,276	85,276
E.P.F. Payable	34,202	-	276,479
E.T.F. Payable	1,304	-	41,481
	15,901	1,646,422	4,287,761

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

28. AMOUNT DUE TO RELATED COMPANIES

Entrust Limited (Note 28.1)
Entrust Securities PLC

2013 Rs.	2012 Rs.	01-04-2011 Rs.
259,958,060	177,207,664	205,311,389
462,595	20,750	784,440
260,420,655	177,228,414	206,095,829

28.1 The above amount includes related party loan obtained at the interest rate of 12.5% - 15% p.a. and interest charged for the year is Rs. 20,166,156/=

29. RETIREMENT BENEFIT OBLIGATION

Balance at the beginning of the year
Provision for the year

Payments for the year

Balance at the end of the year

Present value of unfunded obligation

Present value of funded obligation

Total present value of obligation

Fair value of plan assets

Present value of net obligations

Unrecognized actuarial (gains) / losses

Recognized liability for defined benefit obligations

Provision for the year

Current Service Cost

Interest on obligation

Expense recognized in profit or loss

Actuarial gain or loss

2013 Rs.	2012 Rs.
1,998,984	2,711,500
1,106,834	(371,016)
3,105,818	2,340,484
(307,000)	(341,500)
2,798,818	1,998,984
2,798,818	1,998,984
-	-
2,798,818	1,998,984
-	-
2,798,818	1,998,984
-	-
2,798,818	1,998,984
573,321	667,312
219,888	298,265
793,209	965,577
313,625	(1,336,593)
1,106,834	(371,016)

Actuarial valuation has been carried out by M/s Piyal S Goonetilleke and accounts for retiring gratuity for employees as at 31st March 2013 and used following key assumptions,

The key assumptions used by the actuary include the following,

i) Rate of Interest (per annum) :

ii) Rate of Salary Increase (per annum) :

iii) Retirement Age 55 years

iv) The company will continue as a going concern

The liability is not externally funded.

2013	2012
11%	11%
10%	10%

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**AS AT 31ST MARCH****30. DEFERRED TAXATION**

At the beginning of the year
 Charge /(Reversal) for the year
 At the end of the year

2013 Rs.	2012 Rs.
917,020	1,976,128
2,321,581	(1,059,108)
3,238,601	917,020

Provision has been made for Deferred Taxation under the liability method in respect of temporary differences arising from difference between accounting and tax base. Deferred Tax has been computed at the rate of 28%.

Deferred Tax provision as at the year end is made up as follows

	2013		2012		2011	
	Temporary Difference Rs.	Tax Impact Rs.	Temporary Difference Rs.	Tax Impact Rs.	Temporary Difference Rs.	Tax Impact Rs.
Deferred Tax provision from:						
Temporary difference of Property, Plant and Equipment	73,751,907	20,650,534	23,648,583	6,621,603	16,901,282	4,732,359
Temporary difference of Retirement Benefit Obligation	(2,798,818)	(783,668)	(1,998,984)	(559,716)	(2,711,500)	(759,220)
Temporary difference of loan loss impairment	(3,639,928)	(1,019,179)	(14,668,051)	(4,107,054)	(6,316,245)	(1,768,549)
Carried forward Tax losses	(55,746,737)	(15,609,086)	(3,706,478)	(1,037,814)	(815,937)	(228,462)
	11,566,424	3,238,601	3,275,070	917,020	7,057,601	1,976,128

31. STATED CAPITAL**Issued and Fully Paid:**

Balance at the beginning of the year
(Ordinary Shares 17,976,325)

Shares Issued during the year
(Ordinary Shares 4,485,714)

Balance at the end of the year
(Ordinary Shares 22,462,039)

2013 Rs.	2012 Rs.
346,990,186	189,990,196
-	156,999,990
346,990,186	346,990,186

Pursuant to Extra General Meeting of Shareholders held on 2nd September 2011, it was resolved to convert the debt of Rs. 156,999,990 owed to Entrust Limited, the parent company, into Ordinary voting shares by issuing 4,485,714 shares through a private placement at a price of Rs. 35 per share and to list new shares in CSE.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

32. RESERVES

32.1 Statutory Reserve

Balance at the beginning of the year

Transfer during the year

Balance at the end of the year

2013 Rs.	2012 Rs..
4,761,902	3,486,736
-	1,275,166
4,761,902	4,761,902

The reserve fund is maintained in compliance with Direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies .

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

- (i) So long as the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits;
- (ii) so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent thereof, a sum equal to not less than twenty (20) per cent of the net profits; and
- (iii) so long as the capital funds are less than ten (10) per cent of the total deposit liabilities, a sum equal to not less than fifty (50) per cent of the net profits.

32.2 General Reserve

Balance at the end of the year

2013 Rs.	2012 Rs.	01-04-2011 Rs
11,266,050	11,266,050	11,266,050

32.3 Investment Fund Reserve

Balance at the beginning of the year

Transfer from Retained Earnings

Balance at the end of the year

4,461,394	884,647	-
826,183	3,576,747	884,647
5,287,577	4,461,394	884,647

The Investment Fund Reserve has been created as per the Central Bank guidelines issued. Accordingly, 8% of the profit liable for VAT on Financial Services is transferred to the reserve monthly when the payment of VAT on Financial Services for such month's income due.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31ST MARCH

33. FINANCIAL INSTRUMENTS

33.1 Financial Instruments - Statement of Financial Position

Financial Assets

31st March 2013

	Assets at fair value		Assets at amortized cost		Total Rs.
	Fair Value Through Profit & loss Rs.	Available-for- sale Rs.	Loans & receivables Rs.	Held to maturity Rs.	
Investment in Repurchase Agreement	-	-	-	219,669,678	219,669,678
Financial Assets held for trading	1,713,921	-	-	-	1,713,921
Rental receivables on Lease	-	-	403,497,493	-	403,497,493
Rental receivables on Hire purchase	-	-	624,629,847	-	624,629,847
Advance and other Loans	-	-	165,304,181	-	165,304,181
Trade and other Receivables	-	-	63,404,969	-	63,404,969
Amount Due from Related Companies	-	-	1,420,557	-	1,420,557
Receivable from Inland Revenue	-	-	602,057	-	602,057
Investment in Long term Government Securities	-	-	-	5,893,318	5,893,318
Financial Assets available-for-sale	-	8,169,720	-	-	8,169,720
Total Financial Assets	1,713,921	8,169,720	1,258,859,102	225,562,997	1,494,305,741
Cash at Bank & in Hand	-	-	-	-	57,645,256
Other Non-Financial Assets	-	-	-	-	49,613,414
Total Assets	1,713,921	8,169,720	1,258,859,102	225,562,997	1,601,564,312

31st March 2012

Investment in Repurchase Agreement	-	-	-	22,043,983	22,043,983
Financial Assets held for trading	2,454,732	-	-	-	2,454,732
Rental receivables on Lease	-	-	351,124,198	-	351,124,198
Rental receivables on Hire purchase	-	-	552,451,388	-	552,451,388
Advance and other loans	-	-	39,635,591	-	39,635,591
Trade and other Receivables	-	-	38,878,286	-	38,878,286
Amount Due from Related Companies	-	-	286,291	-	286,291
Investment in Long term Government Securities	-	-	-	4,243,817	4,243,817
Financial Assets available-for-sale	-	10,514,808	-	-	10,514,808
Total Financial Assets	2,454,732	10,514,808	982,375,754	26,287,800	1,021,633,094
Cash at Bank & in Hand	-	-	-	-	21,983,089
Other Non-Financial Assets	-	-	-	-	27,343,001
Total Assets	2,454,732	10,514,808	982,375,754	26,287,800	1,070,959,184

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

Financial Liabilities

31st March 2013

	Fair value through profit or loss Rs.	At amortized cost Rs.	Total Rs.
Deposits	-	505,147,390	505,147,390
Trade and other Payables	-	57,234,746	57,234,746
Amount Due to Related Parties	-	260,420,655	260,420,655
Total Financial Liabilities	-	822,802,791	822,802,791
Bank Overdraft	-	-	7,491,829
Other Non-Financial Liabilities	-	-	406,037,419
Total Liabilities		822,802,791	1,236,332,039

31st March 2012

Deposits	-	365,774,496	365,774,496
Trade and other Payables	-	72,418,745	72,418,745
Amount Due to Related Parties	-	177,228,414	177,228,414
Total Financial Liabilities	-	615,421,655	615,421,655
Bank Overdraft	-	-	1,953,973
Other Non Financial Liabilities	-	-	30,430,133
Total Liabilities	-	615,421,655	647,805,761

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

33. FINANCIAL INSTRUMENTS cont..

33.2 Financial Instruments - Statement of Comprehensive Income

	31.03.2013		31.03.2012	
	Gains / Income	Losses / Expenses	Gains / Income	Losses / Expenses
	Rs	Rs	Rs	Rs
Held to Maturity Investments	19,703,907	-	1,502,400	-
Loans and Receivables	250,852,159	-	147,867,667	-
Other Financial Liabilities	-	158,547,932	-	52,756,829
Total	270,556,066	158,547,932	149,370,067	52,756,829

33.3 Valuation of financial instruments

Financial instruments recorded at fair values are determined for financial instruments that are recorded at fair value using several valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Assets - Fair value through profit & loss

Multi finance PLC has classified the investment in Dealing securities under fair value through profit and loss financial assets.

These investments are held by Multi Finance PLC acquired for the trading purpose. Accordingly this investment was classified under the category of Financial assets fair value through profit & loss.

Financial Assets - available-for-sale

Multi finance PLC has classified the investment in Investment securities under available for sale financial assets.

These investments are held by Multi Finance PLC as a strategic investment and this was not acquired for the trading purpose. Accordingly this investment was classified under the category of Available for Sale Investment.

Further the Directors assessed the valuation of the said investment and concluded that the value of investment has not significantly increased or impaired.

Determination of fair value and fair value hierarchy

Multi Finance PLC uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

34. FINANCIAL RISK MANAGEMENT

New business opportunities deregulation & globalization, new financial products and stiff completion in the industry illustrates the importance of having an effective risk management as a farsighted measure.

The Company deployed Risk Mapping process in order to identify core risks that the company is exposed to.

Core risks exposed by the company with regard to financial instruments are,

The company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

34.1 Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

Rental receivables on Lease
Rental receivables on Hire purchase
Advance and other loans
Trade & other Receivables
Amount Due from Related Companies
Cash & Cash Equivalents

Note	31st March 2013	31st March 2012	01st April 2011
15	403,497,493	351,124,198	142,917,341
16	624,629,847	552,451,388	388,690,654
17	165,304,181	39,635,591	32,950,127
18	63,404,969	38,878,286	26,507,805
20	1,420,557	286,291	300,238
13	277,314,934	44,027,072	28,663,330
	1,535,571,980	1,026,402,826	620,029,495

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

The approach towards managing credit risk is to accept any credit risks which are within the boundary approved by the board of directors. The company credit policy provides direction to deal with credit risks. Apart from the company credit policy, the company conducts periodic credit risk stress testing analysis, portfolio monitoring, identifying problem facilities and maintaining exposure limits to manage the credit risk. Credit Risk Management approach adopted by Multi Finance PLC is described as follows

- Credit appraisal
- Credit approval
- Credit administration
- Monitoring credit portfolio
- Managing problem facilities

The transition to fair value based accounting (LKAS 32 and 39) with effect from 1st April 2012 required the present age wise classification to be replaced with a cash flow based approach. The approach adopted was to classify loans into individually significant exposures and other loans into homogenous portfolios by segment / product for necessary computations as appropriate.

RENTALS RECEIVABLES ON HIRE PURCHASE

Carrying amount at amortized cost

- Individually significant - impaired
- Individually significant unimpaired and individually not significant loans

2013 Rs.	2012 Rs.	2011 Rs.
-	-	-
624,629,847	552,451,388	388,690,654
624,629,847	552,451,388	388,690,654

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

34. FINANCIAL RISK MANAGEMENT continued..

RENTALS RECEIVABLES ON LEASED ASSETS

AS AT 31ST MARCH

Carrying amount at amortised cost

- Individually significant - impaired

- Individually significant unimpaired and individually not significant loans

2013 Rs.	2012 Rs.	2011 Rs.
-	-	-
403,497,493	351,124,198	142,917,341
403,497,493	351,124,198	142,917,341

ADVANCES AND OTHER LOANS

AS AT 31ST MARCH

Carrying amount at amortised cost

- Individually significant - impaired

- Individually significant unimpaired and individually not significant loans

-	-	-
165,304,181	39,635,591	32,950,127
165,304,181	39,635,591	32,950,127

Allowance for impairment

The Company established an allowance for impairment losses on assets carried at amortised cost/available for sale that represents its estimate of incurred losses in its loan and investment debt/equity security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and for assets measured at amortised cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

liquidity requirements will exposed to other risks such as reputation and compliance.

Hence, breach of liquidity requirements will directly affect on company's going concern and credibility among stakeholders.

The objective of liquidity risk management is to bridge the gap between asset-liability maturity mismatch and ultimately it's important for the Company to identify the correct combination of liquidity and profitability.

Exposure to Liquidity Risk

	2013	2012
Net loans / Total assets (%)	74.54%	88.07%
Gross Loans / Customer deposits	2.43	2.63
Liquid Asset Ratio (LAR)	13.97%	11.52%

34.2 Liquidity Risk

Liquidity risk arises due to mismatch between assets and liabilities of the company; and as a result, inability to honor the liabilities when fallen due.

Contractual maturities of the assets and liabilities of the Company is given in the Maturity Analysis on page 64.

Managing the liquidity risk is utmost important to a company like Multi Finance PLC since the breach of

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

34.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates etc; will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns

34.3.1 Currency Risk

The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

However the company does not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

34.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with floating Interest rates. However the company does not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk. The Company utilize various financial instruments to manage exposures to interest rate risks arising due to Financial instruments.

34.4 Operational Risk

Operational risk arises due to internal process failures, human capital losses, inadequate internal process, technological breakdowns and adverse impact from external events. Operational risk acts as a bottleneck for many companies, due to an inadequate awareness on companies no operational risk indicators or insufficient internal controls.

Purpose of managing operational risk is to minimize the normal losses incurred due to internal activities, restoring any disruption without impacting the core business of the company and mitigating replication of such events in the future.

Managing operational risk is the prime responsibility of all employees and Company has executed a well defined operational risk policy framework. Internal controls and strict system audit functions are kept in order to enhance the operational risk mitigating process

The Company has adopted following approaches in order to mitigate operational risk within its business context.

- Stringent operational policies and practices
- Effective HR policies and practices
- Promoting ethical business standards
- Training and development
- Contingent and backup plans
- Stringent internal controls

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**FOR THE YEAR ENDED 31ST MARCH 2013****35. RELATED PARTY TRANSACTIONS****35.1 Transaction with related Companies**

The Company carries out transaction in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 'Related Party Disclosure', the details of which are reported below.

Name of the Company	Name of Director	Nature of Transactions	Amount (Paid)/ Received 2013 Rs.	Amount (Paid)/ Received 2012 Rs.	Amount (Paid)/ Received 2011 Rs.
Entrust Limited	Mr. I.D.B. Dassanayake	Loan	267,329,532	261,500,000	289,562,663
	Mr. C.U. Ratwatte	Loan Repayment	(186,804,360)	(310,000,000)	(98,630,631)
	Mr. A.H.M. Riyaz	Reimbursement of Expenses	302,356	733,312	854,196
	Mrs. L.P. A.R. Wickremasooriya	Maintenance	-	(181,505)	(83,961)
	Mr. K.P. N.S. Dayaratne	Rent	(1,652,044)	-	(264,380)
	Mr. B.N.R. Mendis	Security Charges	(27,534.65)	(100,531)	(12,690)
		IT & HR Services	5,470,155	-	-
		Repayment IT & HR Services	(2,142,682)	(3,684,601)	(2,560,855)
		Welfare & Other Charges	108,400	-	(2,215)
		Staff Training	-	(210,863)	-
		Telephone Charges	(70,558)	-	-
		Electricity & Water	(488,049)	-	-
Entrust Securities PLC	Mr. A.H.M. Riyaz	Vehicle Charges	-	-	(241,225)
	Mrs. L.P. A.R. Wickremasooriya	Complimentary	458,150	-	-
	Mrs. R.D. Senerath	Common Expense	260,941	-	-
		Computer Hardware	4,445	-	-
		Welfare	-	-	(542,811)
		Reimbursement of Expenses	213,197	183,408	-
		Telephone Charges	(80,991)	-	(287,510)
		Electricity & Water	(14,271)	-	(202,165)
		Security Charges	(7,410)	-	(16,296)
		Promotion & Other Expenses	(281,691)	(621,084)	(265,504)
		Maintenance	-	(114,831)	(269,918)
		Stationery Expenses	-	-	(6,281)
		Vehicle Charges	-	(204,000)	-
		Rent	(77,440)	-	-
Entrust Health Care Limited	Mr. A.H.M. Riyaz	Rent	(1,077,780)	-	-
	Mrs. R.D. Senerath	Electricity	(199,954)	-	-
	Mrs. L.P.A.R. Wickremasooriya	Security Charges	(99,940)	-	-
	Mr. K.P.N.S. Dayaratne	Welfare & Other Charges	(42,883)	-	-
	Mr. B.N.R. Mendis		-	-	-
	Mr. C.U. Ratwatte		-	-	-
	Mr. I.D.B. Dassanayake		-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

35.2 Transactions with Key Management Personnel

Transactions with key management persons according to LKAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive) have been classified as key management personnel of the Company.

Compensation paid to Key Management Personnel

	2013 Rs.	2012 Rs.	2011 Rs.
Remuneration	4,630,000	3,395,000	1,500,000
Other Employee Benefits	-	60,000	752,500
	4,630,000	3,455,000	2,252,500

36. COMPARATIVE INFORMATION

To facilitate the comparison, the following balances pertaining to the previous year have been reclassified to conform to the current year classification and presentation.

37. CAPITAL COMMITMENTS

The Company had no material capital commitments outstanding as at the Balance Sheet date.

38. CONTINGENCIES

There were no material contingent liabilities as at the balance sheet date, which require adjustments to or disclosure in the Financial Statements.

39. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date, that require adjustments to or disclosure in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**FOR THE YEAR ENDED 31ST MARCH 2013****40. MATURITY ANALYSIS**

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

Assets/Liabilities	Maturity Period					Total
	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash & Cash Equivalents	277,314,934	-	-	-	-	277,314,934
Financial Assets held for trading	1,713,921	-	-	-	-	1,713,921
Rental receivable on Lease	41,165,555	88,602,291	210,832,854	62,059,536	837,257	403,497,493
Rental receivable on Hire Purchase	75,473,679	149,621,110	317,486,328	82,048,730	-	624,629,847
Advances & other Loans	107,373,774	38,754,498	12,393,026	6,782,884	-	165,304,182
Trade & other receivable	17,156,368	4,505,871	4,461,490	18,642,083	18,639,157	63,404,969
Inventories	19,797,236	-	-	-	-	19,797,236
Amounts Due from Related Companies	1,420,557	-	-	-	-	1,420,557
Receivable from Inland Revenue	602,057	-	-	-	-	602,057
Investment in Long term Government securities	-	-	-	-	5,893,318	5,893,318
Financial Assets available-for-sale	8,167,220	-	-	-	2,500	8,169,720
Intangible Assets	539,695	-	-	-	-	539,695
Property, Plant & Equipment	-	-	-	-	29,276,384	29,276,384
Total Assets	550,724,995	281,483,770	545,173,698	169,533,232	54,648,616	1,601,564,312
Bank Overdraft	7,491,829	-	-	-	-	7,491,829
Deposits	294,159,544	173,243,698	33,666,583	3,897,566	180,000	505,147,390
Other Borrowings	300,000,000	100,000,000	-	-	-	400,000,000
Trade and Other Payables	57,234,746	-	-	-	-	57,234,746
Amounts Due to Related Companies	260,420,655	-	-	-	-	260,420,655
Retirement Benefit Obligation	-	-	-	-	2,798,818	2,798,818
Deferred Taxation	-	-	-	-	3,238,601	3,238,601
Total Liabilities	919,306,773	273,243,698	33,666,583	3,897,566	6,217,419	1,236,332,039

41. SEGMENTAL ANALYSIS

	Finance		Investing		Total	
	2013/12	2012/11	2013/12	2012/11	2013/12	2012/11
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue						
Interest	250,852,159	147,867,667	19,703,907	1,502,400	270,556,066	149,370,067
Other Income	7,190,182	23,210,751	3,429,169	2,320,489	10,619,351	25,531,240
Total Gross Income	258,042,341	171,078,418	23,133,076	3,822,889	281,175,416	174,901,307
Interest Expenses	-	-	-	-	(158,547,932)	(52,756,829)
Unallocated Expenses	-	-	-	-	(180,235,010)	(124,159,541)
Loss for the period	-	-	-	-	(57,607,525)	(2,015,063)
Average interest earning assets	1,068,321,348	753,884,650	125,925,398	20,713,483	1,194,246,747	774,598,133

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

42. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2.2, these are the Company's first set of Financial Statements prepared in accordance with SLFRS. The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31st March, 2013. The comparative information presented in these Financial Statements for the year ended 31st March, 2012 and in the preparation of an opening SLFRS Statement of Financial Position as at 1st April, 2011 (the Company's date of transition). In preparing its opening SLFRS statement of financial position, the Company has adjusted amount reported previously in Financial Statements prepared in accordance with SLAS. (Previous GAAP). An explanation of how the transition from previous SLASs to SLFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

RECONCILIATION OF STATEMENT OF COMPREHENSIVE INCOME

		SLAS Rs.	2012 Effect of Transition to SLFRSs Rs.	SLFRS Rs.
Income		173,808,574	1,092,733	174,901,307
Interest Income	a	148,304,827	1,065,240	149,370,067
Interest Expenses	b	(52,705,622)	(51,207)	(52,756,829)
Net Interest Income		95,599,205	1,014,033	96,613,238
Other Operating Income		20,086,403	-	20,086,403
Net Income from Operations		115,685,608	1,014,033	116,699,641
Operating Expenses				
Personal Cost		(29,100,823)	-	(29,100,823)
Net Impairment of AFS Investment	d	-	(22,102,198)	(22,102,198)
Provision for Retiring Gratuity		(965,577)	-	(965,577)
Depreciation of Property, Plant and Equipment		(6,600,422)	-	(6,600,422)
Other Operating Expenses		(50,885,635)	-	(50,885,635)
		(87,552,457)	(22,102,198)	(109,654,655)
Profit/(Loss) Before Other Income		28,133,151	(21,088,165)	7,044,986
Other Income	d	5,417,344	27,493	5,444,837
Profit/(Loss) Before Provisions		33,550,495	(21,060,672)	12,489,823
Impairment Charge for Loan and Other Losses	c	(445,898)	(8,334,324)	(8,780,222)
Profit/(Loss) Before Taxation & Value Added Tax		33,104,597	(29,394,996)	3,709,600
Value Added Tax on Financial services		(4,611,070)	-	(4,611,070)
Profit/(Loss) Before Taxation		28,493,527	(29,394,996)	(901,470)
Taxation	d	(2,990,213)	1,876,620	(1,113,593)
Profit/(Loss) After Taxation		25,503,314	(27,518,377)	(2,015,063)
<u>Other Comprehensive Income</u>				
Recognition of actuarial gain / (loss)	d			1,336,593
Other Comprehensive Income for the period, net of Income Tax				1,336,593
Total Comprehensive Income/(Expense) for the period				(678,470)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION

		31/03/2012			31/03/2011		
		SLAS	Effect of transition to SLFRSs	SLFRS	SLAS	Effect of transition to SLFRSs	SLFRS
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS							
Cash and Cash Equivalents		44,027,072	-	44,027,072	28,663,330	-	28,663,330
Financial Assets held for trading	d	2,427,239	27,493	2,454,732	8,240,477	-	8,240,477
Rental receivables on Lease	c	361,937,110	(10,812,912)	351,124,198	149,155,283	(6,237,942)	142,917,341
Rental receivables on Hire purchase	c	554,586,354	(2,134,966)	552,451,388	387,884,545	806,109	388,690,654
Advance and Other loans	c	39,388,630	246,961	39,635,591	32,950,127	-	32,950,127
Trade and Other Receivables		38,878,286	-	38,878,286	26,507,805	-	26,507,805
Inventories		8,422,635	-	8,422,635	2,520,000	-	2,520,000
Amounts Due from Related Companies		286,291	-	286,291	300,238	-	300,238
Investment in Long term Government Securities		4,243,817	-	4,243,817	-	-	-
Financial Assets available-for-sale	d	32,617,006	(22,102,198)	10,514,808	9,668,398	(3,014,458)	6,653,940
Intangible Assets		1,081,348	-	1,081,348	2,488,287	-	2,488,287
Property, Plant & Equipment		17,839,018	-	17,839,018	14,697,827	-	14,697,827
TOTAL ASSETS		1,105,734,806	(34,775,622)	1,070,959,184	663,076,317	(8,446,291)	654,630,026
LIABILITIES AND EQUITY							
Bank Overdraft		44,027,072	-	44,027,072	28,663,330	-	28,663,330
Deposits		365,774,496	-	365,774,496	144,733,473	-	144,733,473
Other Borrowings		26,000,000	-	26,000,000	-	-	-
Trade & Other Payables	a	72,452,439	(33,694)	72,418,745	21,203,593	(84,901)	21,118,692
Tax Payable		1,514,129	-	1,514,129	11,949,694	-	11,949,694
Amounts Due to Related Companies		177,228,414	-	177,228,414	206,095,829	-	206,095,829
Retirement Benefit Obligation	d	3,335,577	(1,336,593)	1,998,984	2,711,500	-	2,711,500
Deferred Taxation	d	4,562,189	(3,645,169)	917,020	3,744,677	(1,768,549)	1,976,128
TOTAL LIABILITIES		652,821,217	(5,015,456)	647,805,761	390,438,766	(1,853,450)	388,585,317
EQUITY							
Stated Capital		346,990,186	-	346,990,186	189,990,196	-	189,990,196
Statutory Reserve Fund		4,761,902	-	4,761,902	3,486,736	-	3,486,736
General Reserve		11,266,050	-	11,266,050	11,266,050	-	11,266,050
Investment Fund Reserve		4,461,394	-	4,461,394	884,647	-	884,647
Available-for-Sale Reserve		-	-	-	-	(3,014,458)	(3,014,458)
Retained Earnings	a,b,c,d	85,434,057	(29,760,167)	55,673,891	67,009,922	(3,578,383)	63,431,539
TOTAL EQUITY		452,913,589	(29,760,167)	423,153,423	272,637,551	(6,592,840)	266,044,710
TOTAL LIABILITIES & EQUITY		1,105,734,806	(34,775,622)	1,070,959,184	663,076,317	(8,446,291)	654,630,026

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

42. EXPLANATION OF TRANSITION TO IFRS (Contd)

(a) Interest Income

Interest in suspense are not applicable under LKASs/SLFRSs. Accordingly, company has reversed the interest in suspense which had been made in accordance with the Central Bank of Sri Lanka regulations

For the year ended 31st March

	2012 Rs:
Leases	24,267
Hire Purchases	811,494
Loans	229,479
Total	1,065,240

(b) Interest Expense

The company accounted for interest on deposits from customers, other borrowings and debentures on effective interest method in accordance with LKAS 39- Financial Instruments – Recognition & Measurements where the interest cost was previously accounted for on straight line basis.

For the year ended 31st March

	2012 Rs:
Effective interest rate adjustment of deposits	(51,207)
Total	(51,207)

(c) Impairment charge for loan and other losses

The company calculated the impairment charge on loans and receivable in accordance with LKAS 39- Financial Instruments -Recognition & Measurements where previously calculation was done in accordance with CBSL guidelines

For the year ended 31st March

	2012 Rs:
Effect of Impairment charge for loan and other losses	(8,334,324)
Total	(8,334,324)

(d) Total Comprehensive Income

For the year ended 31st March

	2012 Rs:
Net loss on measurement of AFS financial assets	(22,102,198)
Actuarial loss pertaining to the Retirement Benefit Obligation	1,336,593
Net effect on Differed Tax adjustments	1,876,620
Market Value Changes of investment under FVTPL	27,493
Total	(18,861,492)

Actuarial loss pertaining to the Retirement Benefit Obligation has been removed from personnel cost and adjusted in the Other Comprehensive Income.

The Company recognized the gains/losses on available for sale financial assets as other comprehensive income in accordance with SLFRSs where previously it has not been recognized and Investment was recorded at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31ST MARCH 2013

42. EXPLANATION OF TRANSITION TO IFRS (Contd)

(a) / (c) Rental receivables on Lease

As at

Reversal of Interest in suspense
Impairment charge for loan and other losses

31st March 2012	1st April 2011
24,267	78,303
(4,599,237)	(6,316,245)
(4,574,970)	(6,237,942)

(a) / (c) Rental receivables on Hire purchases

As at

Reversal of Interest in suspense
Impairment charge for loan and other losses

31st March 2012	1st April 2011
811,494	806,109
(3,752,569)	-
(2,941,075)	806,109

(a) / (c) Rental receivables on Loans & Advances

As at

Reversal of Interest in suspense
Impairment charge for loan and other losses

31st March 2012	1st April 2011
229,479	-
17,482	-
246,961	-

(d) Financial Assets available for sale

As at

Net loss on measurement of AFS financial assets

31st March 2012	1st April 2011
(22,102,198)	(3,014,458)
(22,102,198)	(3,014,458)

(a) Trade & Other payables

As at

Effective interest rate adjustment of deposits

31st March 2012	1st April 2011
(33,694)	(84,901)
(33,694)	(84,901)

(a) / (b) / (C) Retained Earnings

As at

Effect on effective rate adjustment of fixed deposits
Effect on impairment leases
Effect on impairment Hire Purchase
Effect on impairment loans
Impairment charge for AFS Investments
Differed tax adjustment
Actuarial loss Pertaining to the Retirement Benefit Obligation
Market value changes of investments under FVTPL
Total

31st March 2012	1st April 2011
33,694	84,901
(10,812,912)	(6,237,942)
(2,134,966)	806,109
246,961	-
(22,102,198)	-
3,645,169	1,768,549
1,336,593	-
27,493	-
(29,760,166)	(3,578,383)

43. INITIATIVES FOR THE WAY FORWARD

The Company has incurred a post-tax net loss of Rs.57,607,525 for the financial year ended 2012/13 and the recorded accumulated loss of Rs.3,073,442 as at the balance sheet date. The above loss has incurred mainly due to the provisioning for diminution of market prices in investments in shares, bad and doubtful debts, the costs incurred for expansion and / or relocation of the branch network. Considering the loss that was recorded during the financial year under review, the Board of Directors have taken steps to make certain structural changes in the senior management cadre and has recruited professionals who have gained industry experience and exposure, to fill the vacancies in managerial positions of the

Company. As a result, a new Chief Executive Officer (CEO) with adequate experience and a wealth of exposure in the financial industry has come on board, to provide the required guidance and leadership to turnaround the Company's present financial position. Further, under the guidance of the new CEO, the company will be restructured and is expected to introduce an array of new products in order to increase the revenue streams on interest income and also to curtail costs as an immediate short term strategy. In the long run, the Company will venture into different product lines and build a strong credit culture whilst, adopting an aggressive recovery mechanism, to make a comeback in FY 2013/14.

Based on the above action plan the directors have assessed the company's ability to continue as a going concern.

SHARE INFORMATION

Investor Information 20 Major Shareholders As at 31/03/2012

NO.	TITLE	INITIAL	NAME	NO OF SHARES	%
1			ENTRUST LIMITED	19,223,186	85.581
2			PREMIUM CAPITAL (PVT) LIMITED	500,000	2.226
3			LAUGFS GAS LIMITED	184,900	0.823
4	MR.	V.D.	RANAPURA	155,194	0.691
5	MR.	S.N.C.W.M.B.C.	KANDEGEDARA	101,100	0.450
6	MR.	M.M.	DISSANAYAKE	97,800	0.435
7	MR.	S.B.H.	WANDURAGALA	49,500	0.220
8			FIRST CAPITAL MARKETS LIMITED/ MR. S.N.M. SEMASINGHE	46,900	0.209
9	MR.	W.N.	ABEYSURIYA	45,099	0.201
10	MR.	P.A.	RAJANIKANTH	43,800	0.195
11	MR.	A.H.M.	RIYAZ	40,000	0.178
12			MERCHANT BANK OF SRI LANKA PLC/ SELVAKUMAR SELVATHU	38,200	0.170
13	MR.	P.G.W.	SIRISENA	38,000	0.169
14	MR.	N.A.	KARUNARATNA	36,324	0.162
15	MR.	K.M.	DISSANAYAKE	32,600	0.145
16	MR.	W.A.S.P.	DE SARAM	30,401	0.135
17	MR.	A.M.	VANDORT	28,600	0.127
18	MR.	S.C.	HEWAWITHARANA	25,800	0.115
19	MR.	V.	SRIDARAN	25,100	0.112
20	MR.	T.J.	CHANDANA	25,000	0.111
				20,767,504	92.456
			Share Certificate holders	1,694,535	7.544
			TOTAL	22,462,039	100

Investor Information 20 Major Shareholders As at 31/03/2013

NO.	TITLE	INITIAL	NAME	NO OF SHARES	%
1			ENTRUST LIMITED	19,223,186	85.581
2			PREMIUM CAPITAL (PVT) LIMITED	500,000	2.226
3	MR.	W.A.S.P.	DE SARAM	213,828	0.952
4			LAUGFS GAS LIMITED	184,900	0.823
5	MR.	V.D.	RANAPURA	155,194	0.691
6	MR.	M.M.	DISSANAYAKE	97,800	0.435
7	MR.	Y.K.	RAJAPAKSA	53,301	0.237
8	MRS.	S.	HEWAVIDHANA	48,357	0.215
9	MR.	P.A.	RAJANIKANTH	43,800	0.195
10	MR.	A.H.M.	RIYAZ	40,000	0.178
11	MR.	P.G.W.	SIRISENA	38,000	0.169
12	MR.	N.A.	KARUNARATNA	36,324	0.162
13			ALMAR INTERNATIONAL (PVT) LTD	35,000	0.156
14	MR.	N.M.	PRAKASH	33,389	0.149
15	MR.	K.M.	DISSANAYAKE	32,600	0.145
16	MR.	J.M.J.	MALLIKARATHNA	31,533	0.140
17	MR.	R.P.P.	SENARATNE	28,783	0.128
18	MR.	A.M.	VANDORT	28,600	0.127
19	MR.	W.A.	JAYANTHA SISIRA KUMARA	27,012	0.120
20	MR.	S.C.	HEWAWITHARANA	26,800	0.119
				20,878,407	92.950
			Share Certificate Holders	1,583,632	7.050
			TOTAL	22,462,039	100

Public share holding - 13.67%

SHARE INFORMATION (CONTD.)

Distribution of Shareholdings as at 31st March 2013

From - To	No of Shareholders	No of Shares	%
1 - 1,000	555	188,548	0.84
1,001 - 10,000	196	722,424	3.22
10,001 - 100,000	55	1,273,959	5.67
100,001 - 1,000,000	4	1,053,922	4.69
Over 1,000,000	1	19,233,186	85.63
	811	22,462,039	100

Analysis of Shareholders as at 31st March 2013

Category	No of Shareholders	No of Shares	%
Local Individuals	777	2,361,053	10.51%
Local Institutions	27	20,051,086	89.27%
Foreign Individuals	7	49,900	0.22%
Foreign Institutions	0	0	0
Total	811	22,462,039	100%

Directors' Shareholding as at 31st March 2013

	TITLE	INITIALS	SURNAME	NO OF SHARES	%
1	MR.	E.K.I.	DE ZOYSA	-	-
2	MR.	R.M.M.J.	RATNAYAKE	-	-
3	MR.	R.M.S.	TILLAKAWARDANA	-	-
4	MRS.	C.J.	ATAPATTU	20,575	0.092
5	MR.	K.P.N.S.	DAYARATHNE	1,000	0.004
6	MR.	B.N.R.	MENDIS	1,000	0.004
7	MRS.	R.D.	SENARATH	-	-
8	MR.	I.D.B.	DASSANAYAKE	-	-
9	MR.	C.U.	RATWATTE	-	-

Share Prices for the Year Ended

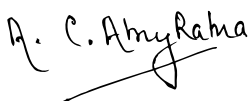
	31.03.2013	31.03.2012
Highest during the period	40.4	77.5
Lowest during the period	13	21.1
As at end of the period	22	25.9
No. of transactions	3,869	22,257
No. of shares traded	97,609,300.90	1,451,086,016.00

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multi Finance PLC will be held at the Sri Lanka Foundation Institute, Hall 1 No. 100, Independence Square, Colombo 07 on Thursday 26th September 2013 at 2.00 p.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2013 and the Report of the Auditors thereon.
2. To re-elect Mr. B N R Mendis who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.
3. To re-elect Mrs. Romesha Dushyanthi Senarath who retires by rotation in terms of Article 94 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. Isira Dharmapriya Bandara Dassanayake who retires by rotation in terms of Article 94 of the Articles of Association, as a Director of the Company.
5. To re-elect Mr. Chanuka Upendra Ratwatte who retires by rotation in terms of Article 94 of the Articles of Association, as a Director of the Company.
6. To re-appoint KPMG, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine donations for the year ending 31st March 2014 and up to the date of the next Annual General Meeting.

By Order of the Board
Multi Finance PLC



Chayanika Abeyratna
Company Secretary
At Colombo

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company, 281, R A De Mel Mawatha, Colombo 3 by 2.00 pm on 24th September 2013.

29th August 2013

FORM OF PROXY

I/We*
 of
 shareholder/s of MULTI FINANCE PLC hereby appoint
 (holder of NIC No.....) of
 or failing him*

Mr. Edinadura Kuvera Isuru De Zoysa	of Colombo or failing him*
Mr. Ratnayake Mudiyanseleage Mohan Joseph Ratnayake	of Colombo or failing him*
Mr. Ravindra Manohara Sri Tillakawardana	of Colombo or failing him*
Mrs. Champika Jayanthi Atapattu	of Colombo or failing her *
Mr. Kangara Panthirannehelage Nandika Sanjeewa Dayarathne	of Colombo or failing him*
Mr. Balapuwaduge Niloshan Romelo Mendis	of Colombo or failing him*
Mrs. Romesha Dushyanthi Senarath	of Colombo or failing her*
Mr. Isira Dharmapriya Bandara Dassanayake	of Colombo or failing him*
Mr. Chanuka Upendra Ratwatte	of Colombo

as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 26th September 2013 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1	To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2013 with the Report of the Auditors thereon.		
2	To re-elect Mr. B N R Mendis who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.		
3	To re-elect Mrs. Romesha Dushyanthi Senarath who retires by rotation in terms of Article 89 of the Articles of Association, as a Director of the Company.		
4	To re-elect Mrs. Isira Dharmapriya Bandara Dassanayake who retires by rotation in terms of Article 89 of the Articles of Association, as a Director of the Company.		
5	To re-elect Mr. Chanuka Upendra Ratwatte who retires by rotation in terms of Article 89 of the Articles of Association, as a Director of the Company.		
6	To re-appoint KPMG, Chartered Accountants the retiring Auditors and to authorise the Directors to determine their remuneration.		
7	To authorise the Directors to determine donations for the year ending 31st March 2014 up to the date of the next Annual General Meeting.		

In witness my/our* hand this day of Two Thousand and Thirteen.

.....
 Signature of Shareholder

**Please delete what is inapplicable.*

INSTRUCTIONS FOR COMPLETION

1. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorised in writing or if such appointer is a company / corporation, either under its Common Seal, or under the hand of an Officer/s or Attorney duly authorised in terms of the Articles of Association / Statute.
2. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the Company Secretary's Office (i.e. No. 281, R A De Mel Mawatha, Colombo 3 on Telephone: 011-4444999) for registration.
3. In perfecting the Form of Proxy please ensure that all details are legible.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy please insert the relevant details in the space provided.
5. Please indicate with an X in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in the discretion will vote as he thinks fit.
6. To be valid, this Form of Proxy must be deposited at the Secretaries Office, No. 281, R A de Mel Mawatha, Colombo 3 by 2 p.m. on 24th September 2013.

CORPORATE INFORMATION

Name of Company

Multi Finance PLC

Company Secretary

Chayanika Abeyratna

Legal Form

Public Limited Liability Company in Sri Lanka registered under the Companies Act No.17 of 1982 and re-registered in terms of Companies Act No.07 of 2007.

External Auditors

KPMG

The Company is governed under the Finance Business Act No.42 of 2011 and domiciled in Sri Lanka and quoted in the Colombo Stock Exchange in May 2011.

Internal Auditor

Ernst & Young

Date of Incorporation

14th October, 1974

Lawyer

Mr. Shiran Perera
Manager-Legal

Company Registration Number

PB 891 PQ

Bankers

Commercial Bank of Ceylon PLC
Seylan Bank PLC
Sampath Bank PLC
Peoples Bank

Registered Office

No 281, R. A. De Mel Mawatha, Colombo 3.

Head Office

No 44, Hill Street, Kandy.

Vat Registration No.

104041167-7000

Telephone

011 4444999

Facsimile

011 2370316

Website

www.multifinance.lk



Multi Finance PLC No 281, R. A. De Mel Mawatha, Colombo 3.